Austria	Sch22	Indonesia	Rp3100	Portugal	Esc100
Bahrain	Din0.650	Israel	Shk3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1600	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta125
Cyprus	C£0.75	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr9.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	[illegible]	Switzerland	SFr2.20
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Rin4.25	Thailand	Bt50
Germany	DM2.20	Mexico	Peso500	Tunisia	Din0.850
Greece	Dr100	Morocco	Dh6.00	Turkey	L500
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,458 Monday February 8 1988 D 8523 A

Afghanistan: Guerrilla leaders meet UN mediator, Page 16

World News

Floods and mudslides in Brazil kill 127

Devastating floods and mudslides have killed at least 127 people in Brazil. The mountain road to Petropolis, 60 kilometres north of Rio de Janeiro, was jammed as hundreds of soldiers, firemen and police dug through debris brought down the mountain by torrential rain. Nearly 6,000 people were made homeless by the floods.

Iraq raids Kharg

Iraqi warplanes broke through air defences and raided Iran's main oil terminal in the Gulf for the first time in more than three months. Also in the Gulf, Iranian gunboats attacked a US-owned tanker flying the Liberian flag near the Strait of Hormuz. Khomeini blow to conservatives, Page 2

Vietnam amnesty

Vietnam announced an amnesty later this month for many officials and military officers who have been held in re-education camps since the 1975 communist takeover of South Vietnam.

Stalker revelations

The Irish Government intends to tread softly with British ministers over the Royal Ulster Constabulary, despite further revelations about the force in a book published today by Mr John Stalker, the former Deputy Chief Constable of Greater Manchester. Page 4

UN mediator in Kabul

Mr Diego Cordovez, UN mediator, was in the Afghan capital of Kabul yesterday to report on his first formal meeting with leaders of Mujahideen guerrilla forces fighting against the eight-year-old Soviet occupation of the country. Page 16

Portuguese protest

Tens of thousands of workers marched through the streets of several cities in Portugal to protest against planned labour reforms making it easier to dismiss workers. Page 3

Election aftermath

Suspected communist supporters, defeated in Friday's elections in India's Tripura state, killed four members of the victorious Congress (I) party and hurled bombs at the new state health minister.

Waldheim report

The international commission of historians investigating the wartime activities of Mr Kurt Waldheim, the Austrian President, presents its findings today as, meanwhile, a Belgian historian on the commission claimed that he had found new documents to strengthen the case against Mr Waldheim. Page 2

'US knew of drug link'

A report published yesterday said that US authorities have believed or suspected for 16 years that Panamanian strongman General Manuel Antonio Noriega was trafficking in drugs. Background, Page 2

Soviet post haste

The Soviet Union has introduced an express service for international mail, guaranteeing delivery anywhere in the world within five days. The new service is only for foreigners.

PLO to free hostages

Palestine Liberation Organization Chairman Yassir Arafat ordered his guerrillas to secure the release of two kidnapped Scandinavian employees of the United Nations Relief and Works Agency believed to be held near a refugee camp in Sidon, Lebanon.

Gadaffi in Algiers

Libyan leader Muammar Gadaffi held talks with Algerian President Chadli Benjedid on North African unity plans. The Libyan leader arrived unexpectedly after two days of talks in Tunisia.

Business Summary

Fresh offer in battle for Société Générale

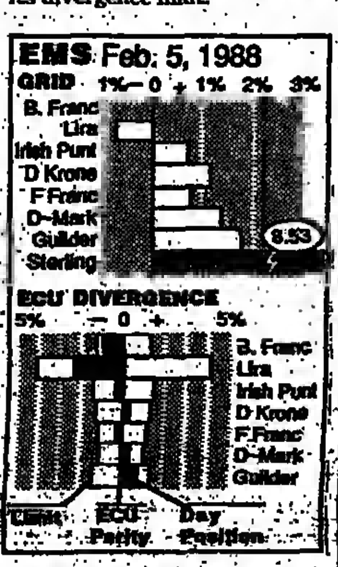
MR CARLO DE Benedetti, the Italian businessman, dramatically upped the stakes in the fierce battle for Société Générale de Belgique, last night when he announced details of a higher offer for the additional 15 per cent share stake which he is seeking in the company.

Cerus, Mr De Benedetti's Paris-based financial holding group, said in a statement it had raised its offer by BF600 to BF4,000 per share. Page 16

BRITISH AIRWAYS intends to retain all British Caledonian's international and domestic landing rights, Mr Colin Marshall, the airline's chief executive said. Page 4

EUROPEAN Monetary System: Currencies were confined to a relatively narrow range last week. The D-Mark was marginally firmer against the dollar while the Italian lira stabilised after receiving nominal support from central banks the week before.

The Bank of France left its money market intervention rate unchanged and there was no change in West German rates after Thursday's meeting of the central council. The Belgian franc remained the weakest currency but was well within its divergence limit.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross-rates from which no currency (except the lira) may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of European currencies.

TOKYO: The Nikkei index gained 140.39 in Saturday's half-day session, closing at 23,791.19. World Stock Markets, Page 29

GROUPE LE CREUSET, French cookware company, has been bought for about FFr100m ($17.4m) by Mr Paul van Zuydam, Le Creuset's president, and a group of UK and French institutions. Page 16

ITALIAN financier Raul Gardini says his reorganisation plan for Ferruzzi-Montedison has been "widely misunderstood". This sparked a sell-off which cut Milan stock market prices by nearly 5 per cent last week. Page 18

BRITISH Government plans to break up the Central Electricity Generating Board before selling it are opposed by a leading organisation to promote competition. Page 5

HITACHI and NEC, two of Japan's largest makers of micro-chips, announced plans to increase their US production and to manufacture memory chips, due to increased US demand. Page 8

CHASE MANHATTAN Bank intends to hold off its decision on whether to participate in Mexico's innovative bonds-for-loans scheme until closer to the February 19 deadline. Page 17

EASTMAN KODAK, US photographic group, has asked Bankers Trust to arrange a $5bn credit to fund its $5.1bn acquisition of Sterling Drug. Page 17

Bush close to admitting defeat in Iowa caucuses

BY STEWART FLEMING AND LIONEL BARBER IN DES MOINES, IOWA

US VICE PRESIDENT George Bush yesterday came close to conceding defeat in the 1988 Iowa caucuses, the first major hurdle of the 1988 presidential race.

Hours after the publication of a final poll on the eve of tonight's Republican caucuses, Mr Bush admitted that he was "quite a bit behind" his main rival Senator Robert Dole of Kansas. He pledged to fight back in the forthcoming presidential primaries.

A Des Moines Register poll published yesterday showed Senator Dole with a wide 37 per cent to 23 per cent lead over the vice president who is the front-runner in national polls as well as in polls in New Hampshire, where a pivotal presidential primary election is scheduled for February 16.

Ever since Mr Jimmy Carter, a nationally unknown former governor of Georgia used Iowa's Democratic caucuses in 1976 as a launching pad for his bid for the presidency, both Republican and Democrat candidates for the White House have used Iowa as the vital first test in the election campaign.

A defeat here for Mr Bush would not be a crippling blow because he has trailed Senator Dole in Iowa polls for months. But it would substantially increase the pressure on him to win in New Hampshire.

Mr Bush may also be worried by the strong showing the Iowa poll of Mr Pat Robertson, the former television preacher. Mr Robertson is the first choice of 13 per cent of likely caucus goers and rival candidates fear that the well organised and committed core of evangelical Christian supporters will turn out in force tonight and embarrass them.

In the Democratic race, which the leading candidates agree is very tight, Congressman Richard Gephardt of Missouri, is maintaining a slender lead.

Mr Gephardt's campaign took off here three weeks ago when he launched a powerful television advertising barrage hinged on the threat to American jobs from unfair trade practices by its trading partners particularly South Korea.

In a poll of likely Democratic caucus goers, Mr Gephardt is the first choice of 25 per cent of respondents, ahead of Senator Paul Simon of Illinois (19 per cent) and Governor Michael Dukakis of Massachusetts (15 per cent).

All the candidates are stressing, however, that polling data could be misleading in a state known for producing election surprises. The polls here do not have a long track record and they are still showing that in

Continued on Page 16

West Bank violence claims six dead as protests sweep region

BY ANDREW WHITLEY IN JERUSALEM

AT LEAST three Palestinians died yesterday in the occupied West Bank after being shot by Israeli troops in one of the worst days of violence in the two month-long unrest.

This brought the weekend total of dead to six. Three earlier casulaties, including a 10-year-old boy and a 15-year-old girl, died of gunshot wounds received earlier.

Few large villages in the occupied West Bank were left untouched as an unprecedented epidemic of protests and confrontations with the army, swept the region.

Last night the Jerusalem-based Palestinian Press Service said it had unconfirmed reports of 81 people who had been hospitalised after beatings or shooting incidents yesterday in over a dozen different locations in the West Bank.

Several were said to be in critical condition. Israeli security forces admitted that up to 25 had been injured.

As the perception spreads in Israeli Government circles that the disturbances in the West Bank and Gaza Strip regions are unlikely to diminish in the foreseeable future, a deeply pessimistic situation report was presented to the Cabinet at its regular Sunday session.

One senior Defence Ministry official, speaking privately, said last week that what Israel was witnessing was no less than "the beginning of the Palestinians' war of independence."

The latest unrest coincided with talks Mr Richard Murphy, a US special envoy, held with Syrian officials in Damascus at the start of a Middle East tour that is expected to take him on to Jordan, Saudi Arabia and Jerusalem, to promote the latest US peace initiative.

The scene of the worst incident yesterday, one of the most serious since the unrest began on December 8, was the previously peaceful village of Beit Ummar, just off the main highway between Jerusalem and Hebron.

According to an army spokesman, during the morning some "tens" of demonstrators, egged on by agitators using the local mosque's loudspeakers, tried to block the highway – a vital link with Israel for Jewish settlements in the area.

Security forces arrived swiftly on the scene, and "pushed them back into the centre of the village."

The army was unable to say how casualties occurred last night. But it confirmed that three corpses of Beit Ummar

Continued on Page 16

Barre strikes camp to launch his campaign

BY GEORGE GRAHAM IN PARIS

MR RAYMOND Barre, the former Prime Minister, will today formally announce his candidacy for the French presidency in his home town of Lyon.

Mr Barre's supporters hope the official announcement will give a boost to his campaign which in recent weeks has seemed to lose ground to Mr Jacques Chirac, the Prime Minister and his main rival on the right.

Mr Chirac formally launched his campaign three weeks ago.

The first round of the presidential election takes place on April 24, followed by a run-off between the two leading candidates on May 8.

Mr Chirac has also stolen a march on Mr Barre by winning the backing of several personalities of the Union pour la Démocratie Française, Mr Barre's political group.

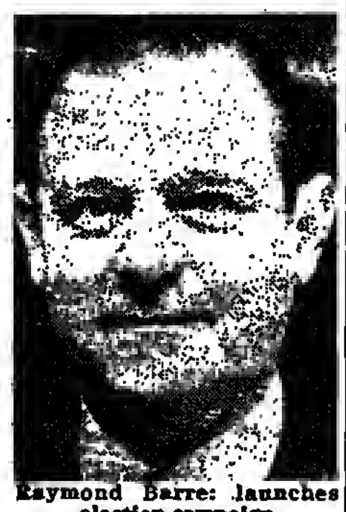
An opinion poll published in the Libération newspaper at the weekend showed Mr Chirac recovering to gain 20.6 per cent of votes, compared with 22 per cent for Mr Barre. A month ago, in the same poll, Mr Barre led by 6.5 percentage points, and two months ago by 9 percentage points.

Both right-wing candidates trail President François Mitterrand with 40.5 per cent. Unlike Mr Barre, Mr Mitterrand has managed to maintain the uncertainty over whether he will stand again.

Mr Barre is unperturbed by his slide in opinion polls which gauge voting intentions, preferring those which measure how much confidence a candidate inspires.

"Between the President of the Republic and the people of France, what counts is the contract of confidence," says Mr Barre, quoting Charles de Gaulle.

The Lyon MP has outlined four main campaign themes: public safety in France and Europe; the return to competitiveness; national solidarity to confront the tests ahead; the defence of the institutions of the Fifth Republic.



Raymond Barre: launches election campaign

After the right wing's victory in the 1986 parliamentary elections, Mr Barre opposed the experiment of "cohabitation" between a left-wing President and a right-wing Prime Minister, which had not occurred under the Fifth Republic.

Meanwhile, on Saturday Mr Chirac presented his "project for France," aimed at putting the economy in first place in Europe by the end of the century. The programme underlines the three themes of family, enterprise and training.

Mr Chirac promises to reactivate the referendum; halt all new immigration; and increase family allowances and maternity leave.

In the economic sphere, he plans to reduce corporate tax rates below 40 per cent; continue the harmonisation of Value Added Tax rates with the rest of the EC; and install a three year budget programme aimed at reducing the Government deficit by FFr15bn ($2.6bn) a year.

Carlucci calls for N-weapons upgrading in Europe

BY DAVID MARSH IN BONN

MR FRANK CARLUCCI, the US Defence Secretary, risked exacerbating American differences with West Germany over arms control yesterday by calling firmly for the modernisation of nuclear weapons in Europe.

Mr Carlucci warned that Moscow should not be allowed the "illusion" of thinking its territory safe from a Europe-launched nuclear strike.

He said Nato needed to carry out its arms modernisation plans for the 1990s in spite of the US-Soviet accord on scrapping medium-range nuclear missiles (INF).

Although he made clear he was not thinking purely of systems based in West Germany, Mr Carlucci's blunt reiteration of Nato's updating needs poses a particular dilemma for Bonn.

Large numbers of the shorter-range nuclear weapons remaining after the INF accord are deployed in the Federal Republic. Public opinion is extremely hostile to the idea of upgrading them.

Speaking at the annual Wehrkunde defence conference in Munich attended by a cluster of defence ministers, military specialists and politicians from Nato countries, Mr Carlucci voiced the need for upgrading the short-range US Lance missile deployed in West Germany.

He also said the alliance needed to develop a new air-launched nuclear missile and modernise its nuclear artillery.

On another issue where the US and West Germany have differing views, Mr Carlucci rejected calls to relax the CoCom list of restrictions on high-tech exports to the Soviet bloc.

He said: "The opinion that the need to protect the West's advanced technology has diminished because of Soviet reforms and the middle-range missile treaty is wrong."

Mr Franz Josef Strauss, Bavarian Prime Minister and leader of the Christian Social Union which is part of the Bonn coalition, expressed unusually strong scepticism about whether upgrading missiles was politically possible.

He said modernisation was necessary but would be very difficult to carry through in view of domestic political opposition.

Chancellor Helmut Kohl, speaking at the beginning of the conference said Soviet leader Mr Mikhail Gorbachev's aim of removing all nuclear weapons from Europe would not be in the alliance's security interest "for the foreseeable future."

Soviet chief replaced in economic shake-up

BY CHARLES HODGSON IN MOSCOW

THE HEAD of the Soviet state economic planning commission, Gosplan, has been replaced after repeated criticism of the organisation for the poor performance of the economy and failing to implement economic reforms being introduced by Mr Mikhail Gorbachev, the Soviet leader.

Mr Nikolai Talyzin, 59, appointed by Mr Gorbachev to preside over a radical shake-up of the country's planning system, was transferred to another job at the weekend. His deputy, Mr Yuri Maslyukov, has been promoted to become Gosplan's chairman.

The move appears to reflect deep dissatisfaction among reformers in the Soviet leadership at the recent sluggish economic growth, and concern at the apparent lack of enthusiasm within the bureaucracy for Mr Gorbachev's economic reform programme.

Last June, Mr Gorbachev, in an unusual move, sharply criticised Mr Talyzin by name, along with Gosplan, for failing to correct disorders in the economy at a time when state industries were falling short on targets in key areas.

There have recently been thinly disguised attacks on Gosplan in the Soviet press for retaining too tight a hold on the management and planning of state enterprises, despite Mr Gorbachev's intention to loosen heavily centralised controls and stimulate the economy.

Under the latest phase of his economic reform programme, 60 per cent of the country's industry switched over in January to self-financing – earning enough to meet their own costs without relying on state subsidies.

Individual managers were supposed to gain greater autonomy for planning and production within overall strategic guidelines set by Gosplan.

But critics have complained that enterprises are still so heavily burdened with state orders that there is little or no flexibility for managers to manage on their own account and devote extra resources to the production of badly needed export or consumer goods.

Western analysts said yesterday that it was still too early to tell whether Mr Talyzin's removal represented a clear-cut victory for Mr Gorbachev in his bid to shake-up Gosplan. They pointed out that Mr Talyzin, appointed to oversee reforms, appeared to have become quickly co-opted by the Gosplan bureaucracy and that his successor has come from within the organisation.

There was also uncertainty whether the reshuffle represented a demotion for Mr Talyzin. He retains his position as first deputy prime minister in his new job as head of the

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Hong Kong futures brokers to stand trial for contract default

BY DAVID DODWELL IN HONG KONG

THIRTY-ONE Hong Kong futures brokers who defaulted on contracts when the local futures market collapsed in October last year are to stand trial in May as the exchange's guarantee corporation tries to recoup debts amounting to HK$1.8bn (US$230m).

The decision to pursue legal action against defaulting brokers comes after three months of negotiation that has yielded repayments of only HK$100m. At the same time, the international institutions which in October contributed to a HK$2bn fund to rescue the exchange are becoming increasingly impatient to see progress on the recovery of outstanding debts.

Futures exchange officials are also aware that failure to settle defaults has brought trade on the exchange to a virtual halt as well as undermining international investor interest in the local equity market, where most fund managers need to hedge their holdings against futures contracts.

Eight local brokers have repaid outstanding debts since October, while court proceedings have led to the repayment of outstanding liabilities by one other defaulting broker, according to a joint statement from the Futures Guarantee Corporation and the local clearing house.

The October collapse revealed flaws in the management of the futures market. The failure of many investors to meet margin requirements went unnoticed until the crash, leaving their brokers incapable of meeting their liabilities.

The single largest debtor is understood to be Mr Robert Ng, head of Sino Land, a local property group. He alone, operating through two front companies, has unsettled liabilities understood to pass HK$800m. At present, he claims his HK$2 limited liability companies are under no obligation to settle claims outstanding against them.

● Mr Donald Tsang, former head of the Hong Kong Stock Exchange's listing department, who was arrested on January 2 in connection with inquiries by the Independent Commission Against Corruption into stock exchange operations, was released on Friday. No charges were brought against him.

Mr Tsang was one of three men arrested on January 2 by commission staff. The other two men were Mr Ronald Li, former chairman of the exchange, who was charged on January 15 with accepting an unlawful advantage from the local subsidiary of Kumagai Gumi, the Japanese construction group, and Mr Jeffrey Sun, the exchange's former chief executive. Mr Sun had his bail renewed on Thursday, but as yet faces no charges.

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Richard Lambert talks to David Ruder, Securities and Exchange Commission Chairman, Page 12

Noriega disappoints Latin America

By David Gardner in Mexico City

LATIN AMERICAN leaders have stayed conspicuously on the sidelines during the last three months, as the US has stepped up its campaign to oust Panama's military strongman, Gen Manuel Antonio Noriega, who was indicted on Friday by two federal grand juries in Florida on drug-trafficking charges.

When business-led strikes and riots against the military-dominated regime in Panama began last June, hardly anyone in Latin America dismissed out of hand Gen Noriega's claim that Washington was conspiring with Panamanian dissidents to regain control over the Panama Canal.

The late Gen Omar Torrijos, Panama's magnetic leader from 1968 until his death in 1981, won sovereignty over the strategic waterway by turning a national campaign into an aspiration espoused by all Latin America.

This was satisfied in 1977 by the Torrijos-Carter treaties, which set up a US-Panamanian administration for the canal from 1979, returned to Panamanian sovereignty the 1,000-sq km Canal Zone which bisected the country, and provided for full Panamanian control and defence of the canal from 1999.

Many Latin American leaders, who initially responded to Gen Noriega's attempt to frame his dispute with the US in regional terms, appear now to have seen through his threadbare regional flag.

Whatever they think of President Ronald Reagan and his policies on the region, Latin American officials now appear clearly to distinguish between Panama's institutional participation in initiatives such as the Contadora Group and Gen Noriega's alleged delinquency.

His summary dismissal of three army commanders and four presidents since 1981 has caused a certain embarrassment, in a region trying to shake off an image of instability, but those moves are likely to have been decided more by the now incontrovertible evidence that most Panamanians want the general out than the US-inspired leaks that detailed his alleged corruption and chicanery.

Now that Mr José Blandón, a former senior political and intelligence adviser to Gen Noriega and Gen Torrijos since 1971, has matched and amplified many of the allegations, however, the regional chorus of disquiet is likely to swell.

The accusations made last week by Mr Blandon appear designed to bury Gen Noriega, embarrass the Reagan Administration and outrage Panama's allies.

Mr Blandon makes two particularly devastating claims: that Lt-Col Oliver North, a former White House aide involved in the Iran-Contra arms affair, persuaded Gen Noriega to let 250 Contras train in Panama in 1985-86 (when US aid to the Nicaraguan rebels was suspended); and that the general agreed to send arms to El Salvador's left-wing insurgency, disguised as a shipment from Nicaragua's ruling Sandinistas, which the White House intended to produce as evidence before Congress so as to justify more aid to the Contras.

Leaving aside the US domestic political implications, within the Contadora Group Panama has been the seat of regional peace initiatives. If it becomes clear that Gen Noriega was undermining these efforts for personal profit, his isolation within Latin America will be complete.

Manigat sworn in as Haiti's president

PROF LESLIE MANIGAT, a political scientist, was sworn in yesterday as Haiti's new president at a ceremony boycotted by regional leaders, Michael Tarr reports from Port-au-Prince.

The military, which formed a caretaker government at the fall of the Duvalier family dictatorship two years ago, is believed to have rigged the centre-right president's election victory last month after letting violence abort an attempt to hold a fair election in November.

The US, France, Canada, and West Germany – Haiti's main sources of aid – were represented only by ambassadors yesterday.

A UNITED NATIONS ATTEMPT TO STOP ARMS SALES TO IRAN IS NOT REALISTIC, SAYS SULTAN OF OMAN

Arms embargo attack highlights Gulf states' split

BY ANDREW GOWERS IN KUWAIT

DIFFERENCES between the conservative Arab Gulf states over how to handle Iran resurfaced at the weekend after Sultan Qaboos of Oman reiterated his opposition to a United Nations arms embargo as a means of forcing Tehran to accept a ceasefire.

In a newspaper interview quoted by the Kuwaiti news agency, the Sultan – who has long favoured a conciliatory stand towards the Iranians – said: "Such an idea [the arms embargo] is not realistic. It is only a political expression – in other words it would have a value more symbolic than real."

A TANKER was set on fire when Iraqi jets attacked Iran's main oil terminal at Kharg Island yesterday, hours after Iranian gunboats fired on a US-owned tanker in the southern Gulf, regional shipping sources said, Reuter reports from Dubai.

The sources said the attacking aircraft roared over Kharg in the morning and a tanker was hit. They could not identify the vessel but said it was still on fire five hours later.

Iranian gunboats on Saturday attacked the 64,140-tonne Liberian-flag tanker Diane with bullets four miles off the United Arab Emirates (UAE) port of Mina Saqr, starting a fire which the crew put out, the sources said.

The attacks, the fourth by Iran and the third by Iraq this month, heightened shippers' fears of a new cycle of Gulf violence after raids on ships eased in January.

The Sultan's remarks, coming at a sensitive time in Western efforts to persuade the Soviet Union and China to go along with an arms ban, are unlikely to please Kuwait and Saudi Arabia, which have been stepping up their pressure for such a move in recent days.

Attention at the UN is focused on a draft proposal, put together by Britain as last month's chairman of the Security Council, for a two-year mandatory ban on sales of arms and spare parts and on the provision of training facilities to Iran.

It was also reported in Kuwait yesterday that Sheikh Zayed al-Nahayan, president of the United Arab Emirates, had been invited to Tehran as part of Iran's current attempt to resume a dialogue with the UAE, acting on behalf of the six member states of the Gulf Co-operation Council.

Mr Rashid Abdullah, the UAE Minister of State for Foreign Affairs, said there were no immediate plans for such a visit.

Western diplomats see Iran's latest manoeuvrings as an effort to drive a wedge between the Gulf states, and chip away at the common Arab front against it formed at the Amman summit in November. It appears to be having some success. A fierce propaganda war, for example, has broken out again between Iraq and Syria over attempts by Damascus to mediate between Iran and the GCC, breaching an agreement at Amman to halt such hostile broadcasts.

Approval of INF accord threatened by ABM row

BY NANCY DUNNE IN WASHINGTON

A BITTER, long-running dispute between the Reagan Administration and Democratic Senators over an interpretation of the 1972 Anti-Ballistic Missile Treaty has taken a new twist and threatens to delay Senate approval of the pact to eliminate intermediate-range nuclear forces (INF).

Democratic leaders say they will take no further testimony about the new pact from Administration officials in the treaty ratification hearing unless agreement is reached.

The feud is over the Administration's efforts to reinterpret the ABM Treaty to allow space tests of Star Wars defence technology. The Administration has devised a "broad" interpretation of the treaty which in effect negates the original testimony of Nixon Administration officials in 1972.

The Soviet Union and the US agreed to disagree about the ABM treaty at the December summit in Washington, but Soviet negotiators are once again linking limits on space testing to talks in Geneva on a pact to cut long-range nuclear missiles by half.

Democrats are incensed by what they see as a violation by the Administration of the Senate's constitutional role in treaty-making. They had hoped to use the Administration's desire for early approval of the INF accord as a lever to persuade Mr George Shultz, the Secretary of State, to, in effect, repudiate the "broad" interpretation.

The Secretary is reported to have agreed with Senate Democrats to write a letter stating that testimony by Administration officials about the INF accord would be legally binding. However, he revised his letter at the insistence of Republican conservatives.

Late Friday Senator Robert Bird, the majority leader, and Senator Sam Nunn, chairman of the armed services committee, wrote to Mr Sholtz warning him that without an agreement the Senate would have to go through a time-consuming process of examining the negotiating records and writing its own understanding of the treaty's meaning – a process which "could undermine the ... ratification process."

KHMER ROUGE LEADER VISITS PRINCE IN PEKING

Sihanouk hint of reconciliation

BY ROBERT THOMSON IN PEKING

PRINCE NORODOM Sihanouk hinted yesterday that he could return as leader of the Kampuchean resistance coalition from which he resigned last week in a strategic fit of pique.

The Prince was clearly responding to coaxing by a leader of the Khmer Rouge, Khieu Samphan, who arrived here on Saturday to persuade him to change his unpredictable mind. In a telegram to his son, Ranariddh, in Bangkok yesterday, Prince Sihanouk said the Khmer Rouge representative had "strongly insisted that I stay as head of state."

The Prince resigned after claiming that he had been insulted by Son Sann, who called him a traitor for talking to Hun Sen, but who yesterday sent a message to the Prince urging him to reconsider.

Most diplomats believe the Prince is holding out for approval from the Khmer Rouge and the China Government for his peace talks with Hun Sen, the Premier of the current Vietnamese-backed regime in Kampuchea, whom he has met twice in recent months to try to negotiate a solution to the country's problems.

For the past few days, the Prince has shown his unwillingness to remain idle, and sent a curious stream of handwritten notes and statements to diplomats and journalists. Yesterday he released the telegram and an idiosyncratic description of the homage paid to him by Khieu Samphan.

The Prince explained that he needs a "period of reflection" before responding to the Khmer Rouge leader's request that he withdraw his resignation, though he claimed last week that the decision is "definitive, irrevocable, and irreversible."

Even though he is uncomfortable in the company of the Khmer Rouge – he has called Khieu Samphan a "psychopath" and members of his family were murdered by Khmer Rouge soldiers – the Prince needs the coalition to back his claims to the Kampuchean leadership, while the coalition needs the Prince to lend credibility to its claims to be the rightful Kampuchean Government.

Meanwhile, China has rejected a Vietnamese proposal for a ceasefire on their shared border and an exchange of visits by border residents to celebrate the Chinese new year next week. There has been sporadic fighting on the border since China attempted to "teach a lesson" to Vietnam in 1979 after its invasion of Kampuchea.

A Chinese foreign ministry spokesman said conditions are not suitable for bilateral talks on border exchanges, as Vietnam has been shelling Chinese territory "until very recently": "we hope that the Vietnamese side will take some solid steps for the improvement of relations between the two countries," said the ministry.

US envoy hits at Romania

By Judy Dempsey in Vienna

ROMANIA'S human rights record was sharply criticised by Mr John Whitehead, the US Deputy Secretary of State, at a meeting in Bucharest with President Nicolae Ceausescu.

In three hours of talks with Mr Ceausescu, Mr Whitehead said the President was not willing to discuss certain issues, which included human rights.

"I was disappointed at not being able to convey successfully to President Ceausescu the deep feelings that my country has about human rights and the importance of individual freedoms. He seemed to resent my mention of these subjects."

Mr Whitehead ended his 11-day trip to Eastern Europe with a visit to Czechoslovakia.

Freed activists allowed to stay in East Germany

BY LESLIE COLITT IN BERLIN

THE East German authorities released two sentenced civil rights activists at the weekend and, for the first time, allowed them to remain in East Germany.

The two men were given six month prison terms recently and were among at least seven civil rights campaigners still in custody. The East German Protestant Church intensified its efforts to obtain the release of Mrs Vera Wollenberger, a third sentenced civil rights activist and to allow her to remain in East Germany.

The civil rights supporters were arrested after attempting to join an official rally in East Berlin last month.

East Germany gave passports to four out of the 20 civil rights supporters released at the weekend. They said the documents would allow them to return to East Germany within six months.

Such passports, valid for travel to the West, were previously given to East German writers and artists but never to civil rights activists.

The four East Germans said they hoped the issuing of such passports meant East Germany wanted to solve political conflicts with "political solutions". Mrs Baerbel Bohley and Mr Vanner Fischer said they would spend the next six months in Britain.

Election setback for Hawke

By Chris Sherwell in Sydney

AUSTRALIA'S Labor Party Government suffered a stinging electoral rebuke over the weekend, losing its first test of voter support since being returned to an historic third successive term in last July's federal poll.

The defeat came at the hands of the opposition Liberal Party in a traditionally safe Labor seat in Adelaide. The Liberals needed a swing of 6.5 per cent to win and secured it easily on a low turnout put at 79 per cent.

Although Labor retains a comfortable majority in the 148-seat national Parliament, the Liberal victory was a setback for Mr Bob Hawke, the Prime Minister, who had campaigned strongly for his party's candidate. He accepted responsibility for the defeat yesterday.

The outcome is also significant because it portends problems for Mr Barrie Unsworth, the Labor Premier in Australia's most important state of New South Wales, who must call an election soon. New South Wales is the principal power base for the Labor government federally.

Equally, the by-election result is a boost for the flagging fortunes of Mr John Howard, the Liberal leader, and for the chances of Mr Nick Greiner, who is heading the Liberal charge in New South Wales.

The Adelaide result was a surprise because the Liberals have held the seat only once since 1943.

The Liberal candidate, Mr Mike Pratt, won 44.2 per cent of primary votes against 36 per cent secured by Mr Don Farrell, a former research assistant for Mr Hurford. Among the other seven contestants, the candidate for the Australian Democrats took another 12 per cent. Once preferences are distributed, the Liberals are expected to gain 52 per cent of the vote.

The Adelaide campaign was notable for its concentration on a single issue, a controversial proposal that Australia Telecom start timing local telephone calls instead of making a single basic charge.

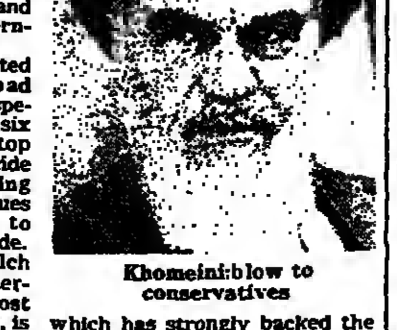
Mr Hawke, to the complaints of party activists, initially supported the plan but then confusingly modified his position. The Liberals exploited the issue and yesterday, in a triumph of politics over reason, Mr Hawke said the time-charge proposal would not now go ahead.

The Telecom plan arose from the sharp increase in the number of telephone lines taken up with lengthy computer and facsimile machine hook-ups. It was an attempt to make the Telecom's tariff structure more rational by introducing the "user pays" principle.

Khomeini boosts economic reforms

BY ANDREW GOWERS IN KUWAIT

AYATOLLAH Ruhollah Khomeini, Iran's revolutionary leader, sought to give new impetus to long-stalled economic reforms at the weekend by setting up a high-level body designed to settle ideological disputes between radicals and conservatives in the Government.



Khomeini: blow to conservatives

Iran's official media reported that Ayatollah Khomeini had ordered the creation of a special assembly, composed of six senior clerics and seven top government officials, to decide on a number of far-reaching pieces of legislation on issues ranging from land reform to nationalisation of foreign trade.

The Ayatollah's ruling, which followed an appeal for intervention from the five most powerful government figures, is the firmest indication to date that he is trying to set the war-weary Iranian economy on a more radical course following several years of stalemate between reformist elements and the conservative clergy.

This has left Iran, which celebrates the ninth anniversary of its Islamic Revolution this week, with incomplete laws covering such crucial areas as the ownership of industries and of farm land.

Last month, the Ayatollah bolstered the position of the reformers – who favour a big increase in state intervention in the economy – by decreeing that the Government has near-absolute powers which can even override Islamic laws.

This was seen as a blow to the Council of Guardians, a body composed of senior clerics which has strongly backed the rights of the private sector.

Although membership of the new assembly includes all six members of the Council, it appears weighted against them. Other members include Mr Rafsanjani, President Seyyed Ali Khamanei, and Khomeini's son Ahmad.

The Ayatollah stressed that it is the majority opinion that will count. He made clear which side he is on by backing "the interests of the Islamic Republic and the people" against establishment religion.

In their appeal for assistance, the five leaders said Khomeini's earlier ruling had "theoretically removed difficulties seen to be in the way of legislation and the administration of Islamic society". But they stressed that decisions on putting that into practice were urgently needed.

Argentina blocked over loan from IMF

BY TIM COONE IN BUENOS AIRES

THE ARGENTINIAN team negotiating with the International Monetary Fund returned to Buenos Aires at the weekend, still without agreement on the release of the third $225m (£125m) tranche of a standby loan.

The team, headed by Mr Jose Luis Machinea, president of Argentina's Central Bank, has been in Washington for the past week discussing monetary and fiscal targets for 1988 with IMF officials.

Urgent meetings were taking place over the weekend between the negotiating team and Mr Juan Sourouille, Economy Minister, and Mr Mario Brodersoho, Finance Secretary, to see how further adjustments could be made.

The proposals which Mr Machinea took to Washington last week included a reduction in the fiscal deficit to 2.2 per cent of GDP, down from over 6 per cent in 1987, but which has apparently not satisfied or convinced IMF officials.

Two areas reportedly continuing to create conflict are the education and defence budgets, both of which are sensitive political areas in Argentina, and in which the IMF is apparently demanding further cuts.

Defence spending this year has been targeted at 2.5 per cent of GDP, a fraction up on 1987, but substantially down on the 7.7 per cent of GDP at which it stood in 1985.

On Friday, military chiefs of staff again emphasised to President Raul Alfonsin the need for more funds.

The standstill in the IMF negotiations comes just one week before the Government is scheduled to pay out some $360m in principal and interest payments on its dollar-denominated Bonex bonds, and for which the government was hoping to have in hand the IMF standby tranche and a further $541mn from its commercial creditor banks, disbursement of which is conditional on the IMF agreeing to release its funds.

If the Government is obliged to pay the Bonex bonds out of reserves, it is expected than any forther scheduled debt service payments to creditors will be suspended until agreement is reached with the IMF, due to the critical state of Argentina's foreign exchange reserves.

Gephardt: volunteer army.

Candidates line up on Iowa launch-pad

MR BILL BUTLER, president of Local 396 of the International Association of Bridge, Structural and Ornamental Iron Workers and Machinery Movers of St Louis, Missouri, is sitting in the Citi-Deli in downtown Des Moines crouched over a street map of the Iowa city's most densely populated area.

Together with four of his union colleagues, he is planning their Saturday afternoon schedule. Mr Butler is part of a 600-strong army of volunteers who have flooded into Iowa from neighbouring Missouri. They have joined hundreds of Iowans and well over 100 paid professional campaign staff hard at work trying to ensure that St Louis Congressman Richard Gephardt ("blond ambition" as the press has nicknamed him) emerges victorious in the first major test of the presidential election year – the Iowa precinct caucuses tonight.

Other volunteer armies are working for rivals such as Senator Paul Simon of neighbouring Illinois but they are unlikely to be able to match his. They are all fighting for a share of the meagre 200,000 or so votes which will be cast in Democratic and Republican party caucuses.

What these voters will be doing in theory at the 2,487 precinct sites will be spending two or three hours in the first of a four-stage process leading up to the selection in June of the 57 Democrat and 37 Republican delegates to the party conventions in July and August.

Unlike presidential primaries, where voters just register their choices and leave, at caucuses they debate their preferences, with backers of the other candidates trying to persuade them to change their minds.

But the seven Democrat and six Republican presidential candidstes have not inveeted months of their time and more than $10m of scarce campaign funds in a state with less than 1.6m voters just to try to win the allegiance of less than 2 per cent of the delegates who will attend the conventions.

What the politicians and the news media will be watching is the judgment these 200,000 largely white, mainly small town Americans are passing on the field of presidential candidates. That judgment will ring the death knell for the presidential ambitions of perhaps five or six of the field.

Depending who comes out on top, the political momentum from a victory in Iowa could propel him into the White House, as it did Mr Jimmy Carter in 1976.

How Iowa's caucuses can create such political momentum is explained succinctly hy Mr John Sears, campaign manager for Mr Ronald Reagan at the time of the Iowa caucuses in 1980. The first wave of news reports after Iowa, he aays, will be all about who won and lost and will give the winner high visibility particularly in New

Stewart Fleming reports from Des Moines on the day when the first crucial votes are cast in the US election campaign

Hampshire where the presidential primary on February 16 is the second big test of strength.

By next Wednesdey, he says, the television and newspaper reports will be describing how brilliant the strategy of the winner in Iowa was. "On Thursday it will all be why the losers are idiots. Then, on Friday, new polls will show Monday's winner is doing better than he was before the Iowa caucuses."

There is no inevitability about thie process however. Indeed, this year, two candidates, Senator Al Gore, a Democrat from Tennessee, and General Al Haig, the former Secretary of State, are gambling that they can etill do well virtually ignoring Iowa.

Sen Gore is apparently calculating that Governor Michael Dukakis of Massachusetts, the probable winner in New Hampshire, will not win decisively in Iowa as well. He believes that he will then be able to challenge the two or three front-runners who emerge after the New Hampshire vote on hie home turf, the South.

Even Iowans are beginning to admit that a presidential election process which can give so much influence to 200,000 voters in state which has only 1.5m registered voters is a little whacky. Even some of those involved in organising the caucuses, which have been a $40m bonanza for the state, auspect that this is probably the last time Iowa ia allowed to pley so powerful a role.

Indeed, if the southern states had not miscalculated, it would nnt be doing so this year.

Psrty leaders, especially Democratic, tried to make the more populous southern states the focus of this year's selection process by deciding that on March 8, so-called Super Tuesday, 20 states, including big ones like Florida and Texas, wuuld have primaries or caucuses on the same day.

All that has happened, however, is thet the candidates have focused even more attention on the earliest hurdle, Iowa, in an effort to build momentum for Super Tuesday. Among other things, most calculated thst they could not afford to wait to compete in 20 states at once without the political momentum and the media attention from victories in Iowa or New Hampshire.

Inatead, they are putting their political fates in the hands first of Iowa'a caucus-goers. For the Republicans that means, in essence, on the outcome of a straw poll of of those attending when they enter the doors of the caucuses.

For the Democrats it is more complicated. Since no votes count if a candidate's supporters do not have 15 per cent of the voters in the room, the caucuses will break up into horse trading and tactical voting.

Then, the quality and ahility of cach campaign's representatives, and the wisdom of their tactics will be crucial in helping to decide whnm the party declares the winner or whom the media decides has done so much "better than expected" that, like second-placed Senator Gsry Hart in 1984, he ahould be annointed the winner.

Hitch for longer bank hours in Spain

By David White in Madrid

PROSPECTS of afternoon banking hours in Spain and of a moderate wage increase for the sector have suffered a setback, following a referendum among bank employees to approve the terms of a framework agreement negotiated last year by the unions and the national association of private banks.

Leaders of the three main unions agreed yesterday that Thursday's poll, among Spain's 150,000 bank employees, had been a virtual dead heat, and the final result would be announced next week following a recount.

Even if the referendum eventually shows a narrow majority in favour of the agreement, union officials said that negotiators would be unlikely to sign it because of the absence of a decisive mandate. The result effectively puts the agreement, hailed as a breakthrough last October, on the shelf.

The officials said rank-and-file opinion had swung against the proposed terms of salaries and working hours, following developments at the end of the year which point to a large-scale reorganisation by way of mergers among Spain's top seven private banks.

Two – Banco de Bilbao and Banco de Vizcaya – announced their merger last month but gave no guarantee on job security for their respective employees. Further such bank mergers, with the accompanying prospect of significant redundancies, are widely expected during this year.

The green light for afternoon banking had long been sought by the big banks. The original agreement had envisaged 20 per cent bank branches, staffed by 20 per cent of employees, remaining open until 5pm.

Portuguese unions protest at reforms

By Diana Smith in Lisbon

PORTUGAL'S TRADE-UNION confederations are putting pressure on the Cavaco Silva government in the lead-up to the parliamentary debate of labour reforms aimed at making dismissals less difficult.

At the weekend, the General Confederation of Portuguese Workers (CGTP), ooce dominated by the Communist party but now more Independent, staged the largest protest march in recent years.

Some 80,000 workers thronged Lisbon's avennes to demonstrate against reforms they consider worse than the anti-worker laws of the Salazar era. This opinion is shared by the General Union of Workers.

It has walked out of the incomes board and called for a general strike when parliament debates the reforms. The Government has also drawn management and union fire for its 1988 wage policy.

The Confederation of Portuguese Industry, the management confederation, refused to sign the 1988 wage pact, deeming 6 per cent inflation and 5 per cent wage targets too high. The CGTP refused, because it considers wage targets too low.

Workers at Lisbon's public transport corporation have gone on strike for four hours a day for a month because management rejects the 11 per cent wage rise they seek.

Findings today on Waldheim

By Judy Dempsey in Vienna

THE international commission of historians set up by the Austrian Government to investigate the wartime activities of Mr Kurt Waldheim, the Austrian President, presents its findings today.

A summary of the report will be handed to Mr Waldheim this afternoon and the commission will give the full report to Mr Franz Vranitzky, the Chancellor.

It ie unlikely that the report will find Mr Waldheim gnilty of war crimes. However, it is expected the report will show that he knew about deportations, a charge he has always denied.

At the weekend, Mr Jean Vanwelkenhuyzen, a member of the commission, returned from Yugoslavia saying he had found unpublished documents which apparently throw added weight behind the commission's conclusions.

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Onshore search for oil stepped up in Australia

BY STEVEN BUTLER

OIL DRILLING in the Far East rose by 12 per cent in 1987, with most of the increase accounted for by a doubling of drilling onshore in Australia, according to a report by Wood Mackenzie, the Edinburgh-based stockbrokers.

Excluding the increase onshore in Australia and a 71 per cent increase in offshore drilling in China, which started from a much lower base, drilling throughout the region declined by 30 per cent.

The increase onshore in Australia may also be less significant than it appears because drilling offshore, where the biggest finds tend to be made, dropped by 47 per cent.

The overall increase in Australia was further balanced by a aharp fall in exploration in Indoneaia, where activity reached a five-year low. Exploratory wells declined by 51 per cent to 77 in number. This decline was partially compensated for by a success ratio which increased from 39 per cent to 40 per cent.

Indonesia continued to be affected by the oil price collapse of 1986, although an increase in oil-producing sharing contracts indicates a more bullish outlook in the near future. Malaysia was also seen as potentially more promising for future drilling due to an increase in production-sharing arrangements.

Reflecting continued uncertainty about oil prices, development activity in the region was sluggish.

This is the first development on acreage awarded under the first or second Chinese bidding round. The development follows concessions by the Chinese Government aimed at encouraging the development of smaller fields. The large fields initially anticipated by the oil industry have not been found.

Irish join C & W's Atlantic venture

By Terry Dodsworth

CABLE & WIRELESS, the UK company which is building the first privately-financed transatlantic telecommunications cable, has achieved a breakthrough in Europe by attracting funding from Telecom Eireann, the Irish public telephone authority.

The Ir£20m (£17.9m) investment in the optical fibre cable system coincides with the announcement that STC of the UK will lay a submarine spur from the main line to a point in Cork.

The significance of the Irish deal is that it may persuade other publicly-owned European telephone authorities to invest in the C & W cable, which is jointly financed with US partners.

The publicly-held groups are all participants in the present co-operative system of transatlantic cables, and up to now have been reluctant to do deals with a private group which to some degree represents a challenge to their network.

In Ireland, the agreement with C & W and its US collaborators is seen as an important element in developing Dublin's international financial services centre.

Kieran Cooke has a day out at Murphy's Brewery with the Taoiseach

Cork's stout-hearted way with the Dutch

DREAM assignments, like rain-free Irish days, are rare. But lunch in a brewery with the Republic's Prime Minister, Mr Charles Haughey, was too good to miss.

There were a few doubts as the Dublin to Cork train set off, at 7am. "The question is not why we are here, but are we here?" remarked a droll Ulsterman. Such existential conundrums occupied us all the way to Limerick Junction. So did a full, Irish-style, fry-up breakfast. By the time the tiered streets of Cork came into view, a few lips were wet with anticipation.

Murphy'a Brewery in Cork has a somewhat chequered past. Luisa O'Murphy was the second mistress of Louis XVI of France, her father having been one of the many Irish mercenaries to fight in the French army. Luisa, known to the French as La Petite Morphy, had two sons who brought the original barley oats from France to start brewing in Cork in the mid-19th century. That'a the story told in the brewery bar anyway.

The Murphy family ran the business until after the second world war. Watneys from Britain moved in, then out again. A co-operative of bar owners ran it for a time but eventually fell out with each other and with the bank. In 1983, the receivers were called in. It seemd that Murphy's stout, the silky drink of every self-respecting Cork man for more than 100 years, would be no more.

Salvation came in the form of the Heineken group from the Netherlands. It has invested more than Ir£20m (£17.9m) over the past four years in Murphy's. Exports, particularly to the UK, are growing. Forty per cent of production now goes to the UK, where there are more than 2,000 Murphy's outlets.

The Dutch seem to have fitted in well. Men talking in high-pitched Cork accents, only a hint of the patter of the flatlands of Holland evident, drifted among the early morning crowd. Only the immaculate sults and cigars gave them away.

Mr Haughey had been alightly delayed. That most painless of exercises, a good drink in a brewery, ws now well under way. Mr Frank van der Minne, the new local managing director, says Murphy's has a more upmarket image than that "other stout", synonymous with Irish drinking. "We find Murphy's attracts a alightly yuppie type drinker" said the Dutchman.

There was little of the yuppie about the boiaterous press crowd round the bar. Storiea about the proud people of Cork were doing the rounda. "There was a woman standing on the bridge just down on the river here. 'Help, help,' she says. 'My son, the engineer, is drowning.'"

Mr Haughey eventually arrived. Some staggered out for a quick brewery tour. Mr Haughey returned to make a apeech in praise of the miraculous properties associated with Murphy's (shouts of "hear hear" from the back). Eternal friendship was pledged between the Dutch and Irish people. Then there was a buffet, the Prime Minister fetching his own plate, and more stout. The hard core, by now very atout-hearted, talked of two more "functions" to follow. But some of us wandered off for a breath of air – and to look for engineers in the river.

Hitachi and NEC to increase chip production in US

BY LOUISE KEHOE IN SAN FRANCISCO

HITACHI AND NEC, two of Japan's largest makers of micro-chips, have announced plans to increase their US production, citing increased US demand and the rising value of the yen, which makes production in the US more cost-effective.

Hitachi said it would build its first wafer fabrication facility in the US at Irving, Texas. The company now imports Japanese-made memory chips to the US and tests and packs them in Texas. The new plant is to begin operations in May 1989, producing memory chips micro-processors and semi-custom chips.

NEC, meanwhile, announced plans to expand memory chip production at its plant at Roseville, California, from a current level of 3.5m chips a month to 5m by the second half of thia year. NEC's planned Increase in US production of 256K dynamic random access memory chips (DRAMa) will compensate, the company said, for export limits set by the Japanese government in response to US initiatives over trade bwtween the two countries.

Almost two years ago, the US and Japan aigned a bilateral trade agreement on semiconductors, intended to address US complaints about alleged Japanese dumping of DRAMs in the US below "fair market value". The agreement also called on Japan to open its home market to foreign chip suppliers.

Since the signature of the agreement, US-Japanese semiconductor trade figures have been closely monitored by both governments. The US maintains that Japan has failed to live up to the market access aspects of the agreement and has imposed limited sanctions, in the form of 100 per cent import tariffs, on selected Japanese products.

US semiconductor Industry officials said yesterday that the Japanese companies' plans for increased US chip production would not affect the trade picture because, for the purposes of measuring progress under the trade pact, exports and imports are counted by the nationality of the company, not the location of the manufacturing facility. The Japanese moves are seen, rather, as a response to the rising value of the yen against the dollar. "The economic factors must have outweighed political considerations in these decisions," said one US industry observer.

By increasing their production in the US, the Japanese companies stand to gain higher US market share, which could only exacerbate trade friction.

Italy nearer heavy lira

BY JOHN WYLES IN ROME

THE ITALIAN cabinet adopted proposals at the weekend for removing the plethora of zeroes from its currency, in a demonstration that it is still in business after surviving a key vote on the 1988 budget on Friday evening.

But the victory, by 331 votes to 263, has done nothing to still the debate within the five coalition parties about when the Government, led by Mr Giovanni Goria, the Christian Democrat, should be superseded and by what. He wants to hang on until his party's Congress at the end of April, but there are powerful forces within the Christian Democrats anxious to have him out of office immediately after the budget has been finally adopted two to three weeks hence.

The cabinet meeting on Saturday was by no means the sure assertion of authority which Mr Goria might have wiahed. Adoption of e draft law designed by Mr Renato Ruggiero, Foreign Trade Minister, to abolish the criminal offence of currency exporting was blocked because of unease among many ministers about amnestying past offenders.

The proposal to introduce the heavy lira revives previous draft legislation which lapsed with the dissolution of parliament last year. The new lira would be worth 1,000 times the present unit, enabling Italian accountancy to shrug off the billions and trillions which create confusion. The last parliament showed no interest in giving the legislation any priority and government hopes of having it passed by the end of this year could easily be frustrated.

Greece cool to Turkish lifting of property freeze

BY ANDRIANA IERODIACONOU IN ATHENS AND DAVID BARCHARD IN LONDON

GREECE has reacted with reservation to Turkey's announcement that it is lifting a 1964 decree freezing Greek assets in Istanbul. The lifting was announced last Friday, five days after an agreement to improve strained bilateral relations by the two countries' Prime Ministers who met in Switzerland.

Athens had demanded abolition of the decree, with retroactive effect, as a condition for withdrawing objections to a revival of Turkey's 1963 Association Treaty with the European Community.

The decree, introduced in 1964 after a flare-up between the Turkish and Greek communities in Cyprus and renewed two years ago, has never been published officially.

It was aimed at ethnic Greeks from Istanbul who were trying to sell property in Turkey after moving to Greece. Officials in Athens say about 50,000 people could benefit from the lifting of the restrictions. The decree affects some 3,000 properties worth an estimated $300m.

The question of retroactivity still remains open. The Greek government said that, depending on the legal interpretation placed upon the lifting of the decree, the issue would be raised again by Mr Andreas Papandreou, the Prime Minister, at another meeting with Mr Turgut Ozal, his Turkish counterpart during the Nato summit in Brussels at the beginning of March.

Foreign Ministry officials were more explicit, saying that Athens would not sign a special protocol making Greece a party to the Turkey-EC association treaty unless retroactivity were accorded.

● A voyage by sea from Greece to Israel by 100 Palestinians expelled from the occupied territories was on again yesterday after the Palestinian Liberation Organisation said that it had succeeded in securing a transport vessel. It is expected to sail from Piraeus on Wednesday for Haifa.

SHIPPING REPORT

Dry cargo rates continue their upward trend

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

MOST EYES remained fixed on the dry cargo market last week as rates continued to move up, and the strength of Atlantic and Pacific business began to spread. The key US Gulf/Japan Panamax rate moved np to $25, followed by steady improvement in the Gulf/Continent rate to around $16.

A large nnmber of time-charter fixtures were also reported, with a peak of $16,250 for a Panamax trip to Japan, although this rate later slipped, and another Panamax was fixed at $15,000 plus a ballast bonus of £300,000.

Brokers said the upward movement was based on Soviet demand, topped up by a shortage of tonnage in the Atlantic. Denholm Coates, the London brokers, said there was still some momentum behind the rising market.

Pacific timecharter levels were reported at around $10,000, and charterers were said to be interested in a ship of 37,000 tons deadweight in Japan for South Africa and the Continent at $7,500. A heavily geared ship of 24,000 tons was fixed at $6,000 for a time-charter trip from the Red Sea via Brazil to Japan.

The tanker market benefited from a movement of combination tonnage into the dry cargo trades, which helped to bring supply closer in line with demand.

Brokers said there had been several VLCC fixtures in the Gulf for both eastern and western destinations at rates of around Worldscale 32 and 29 respectively. About 36 vessels of some 10m tons total remain in the area seeking employment, however.

The sale and purchase market was boosted by reports of Soviet inquiries for three cruise ships, including the Astor, originally built for South African interests, and said to be available at around DM98m ($58m).

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US$m)

	Dec.'87	Nov.'87	Oct.'87	Dec.'86
UK	38,556	34,194	33,240	14,886
W. Germany	73,455	70,421	60,967	45,866
Japan	75,657	72,336	67,549	37,657
Belgium	8,363	8,080	7,972	4,630
Netherlands	14,174	13,870	13,285	9,583
Italy	27,765	26,125	22,408	18,132
	Nov.'87	Oct.'87	Sept.'87	Nov.'86
France	26,457	27,685	27,955	28,222
US	14,391	14,585	13,999	16,785

Source: IMF

Irish to tread softly amid more Stalker revelations

BY HUGH CARNEGY

THE IRISH Government intends to deal "very carefully" with British ministers over the vexed issue of the Royal Ulster Constabulary despite a further wave of controversial revelations about the force contained in a book published today by Mr John Stalker, the former Deputy Chief Constable of Greater Manchester.

In the book, Mr Stalker, who spent two years investigating allegations that the RUC had a "shoot-to-kill" policy in 1982 before he was removed suddenly from the inquiry, says he recommended the prosecution of 11 RUC officers up to the rank of Chief Superintendent for a variety of criminal offences, including conspiracy to pervert the course of justice.

He said he wanted access to an tape recording by MI5, the British intelligence agency, of an incident in which a 17-year-old youth was shot dead by police which he believed would have supported further charges of perjury and possibly murder.

He wanted to conduct formal interviews with very senior police officers, including Sir John Hermon, the Chief Constable, who he says, along with RUC Special Branch, obstructed his investigations. He did not conclude there was a "shoot-to-kill" policy but "a police inclination to shoot suspects dead without warning rather than to arrest them.

Mr John Stalker

Mr Stalker said the effect of his inquiry on the RUC, had it been made public, would have been "shattering" as it coincided, in mid-1986, with severe pressure on the force from Loyalist protests against the 1985 Anglo-Irish agreement, which gives the Irish government limited say in the running of the North. For this reason, he believes, it was decided at "the highest levels" of Government to supress his findings. He says he was therefore removed by the instigation of a spurious investigation into his own conduct in Manchester, in which he was later cleared.

Irish ministers have already protested strongly at London's recent decision "in the public interest" not to prosecute any RUC officers named in the inquiry, which was completed by Mr Colin Sampson of West Yorkshire police. Dublin sought a reversal of this decision and publicatioo of Mr Sampson's report.

Irish officials said yesterday they were not expecting Mr Tom King, the British Northern Ireland Secretary, to assent to either request when he meets Mr Gerry Collins, the Irish Justice Minister, and Mr Ray Burke, Energy Minister, for a second round of talks on the issue in Belfast on Wednesday. Dublin is waiting to see what other measure Mr King might offer – for example, details of disciplinary measures against RUC officers – before deciding what to do next.

They expect Mr Charles Haughey, the Prime Minister, to meet Mrs Margaret Thatcher, the British Prime Minister, for a bilateral meeting on Thursday at the European Community heads of Government meeting in Brussels, although no final decision on a meeting is likely until after Wednesday's talks.

BA 'will retain all BCal's landing rights'

By Lisa Wood

BRITISH AIRWAYS intends to retain all British Caledonian's international and domestic landing rights, Mr Colin Marshall, the airline's chief executive said yesterday in Bahrain.

Mr Marshall, speaking at a press conference, said British Airways would merge some duplicate licences or change others to reflect BA's £250m acquisition of BCal in December.

His comments were particularly pertinent in the Middle East. BA has already said it will take over BCal's routes to the Middle East and transfer some to Heathrow airport, Britain's biggest, from Gatwick, south of London.

These routes include those to the Saodia Arabian cities of Riyadh, Dharan and Jeddah plus Muscat in Oman and Dubai in the United Arab Emirates.

BA may, however, face difficulties in renegotiating landing rights with Saudia Arabia since its own airline, Saudia, flies from Heathrow and would be in direct competition with British Airways.

Lord King, speaking at the same conference, played down a reported dispute between BA and Airbus Industrie, the European aircraft consortium, over the fuel performance of Airbus's A-320 aircraft.

Lord King said BA would take delivery of the first of the 10 Airbus A-320s under consignment before the scheduled March 18 opening of the airline's new Gatwick terminal in the UK

The A-320 twin-engined jets were actually ordered from Airbus by BCal in a contract worth £220m.

BA is seeking undisclosed compensation from Airbus because of its findings that the A-320s aircraft is operating below fuel economy standards stipulated in BCal's purchase contract.

Lord King said BA was going to take all the A-320s on order and he expected the them to perform according to specification. Engineers from both companies will be discossing the aircraft's performance in coming weeks.

Seamen face court threat as 3,000 men remain on strike

BY JIMMY BURNS, LABOUR STAFF

NEARLY 3,000 members of the National Union of Seamen were still on strike last night, setting the scene for a key High Court action today against the union by two big ferry companies.

The action, which could lead to heavy fines and the sequestration of union funds, is potentially the most serious taken against a British union since the the National Union of Mineworkers had its funds sequestrated during the 1984-85 strike.

Freight traffic to and from British ports was yesterday returning to normal as most of the 7,000 seafarers in the ferry sector obeyed their union's instructions to end their strike in support of 161 colleagues sacked by the Isle of Man Steam Packet Shipping Company.

But Peninsular and Oriental said last night that it had decided to proceed with the action because it considered a continuing strike by over 2,000 seafarers at Dover and another 200 at Fleetwood to be illegal.

Sealink UK is also taking legal action. Although the NUS ended disruption by 1,200 employed on the company's Dover services at the weekend, over 600 Sealink seafarers continued to strike at Holyhead and Harwich.

Union leaders will say today that they have not continued to defy a court order to end the national strike on the grounds that it amounted to illegal "secondary action," and that those still striking are doing so legitimately in support of local working agreements which they consider threatened.

The High Court last Friday agreed to speed up legal proceedings against the NUS after the ferry companies had claimed that Mr Sam McCluskie, the union's general secretary, was complying with the letter but not the spirit of the law.

Ford Motor was last night braced for its first national strike for almost a decade which threatens to shut its 22 plants.

Union leaders and the company said no further talks were planned over a three-year pay and conditions offer. Negotiations on the deal foundered last week as manual workers voted against it.

Attention will focus on whether workers at 11 plants which voted to accept the offer, and the 6,000 workers who did not vote, will heed the strike call.

Employers profit from trainees

BY CHARLES LEADBEATER, LABOUR STAFF

MOST employers benefit from providing work placements for young people on the Youth Training Scheme, but only because they provide relatively basic training, according to a report prepared for the Manpower Services Commission.

In about 88 per cent of traineeships, in which companies provide foundatioo training, employers benefit by an average of almost £400 per trainee. The average payroll costs of £470, and supervisory costs of £670, per place, are outweighed by the value of the work done. This was on average £1,290 per trainee, with an additional £280 coming from MSC grants.

In contrast, offering a training akin to apprenticeship costs employers an average of £830 per place, as the payroll costs rise to £790 and supervisory costs to £1,660, while the value of the ootput prodnced by trainees falls to £1,170.

The report, based on an detailed analyses of YTS programmes run by 53 companies, shows that where training is relatively simple most YTS trainees are fully proficient in their jobs by the time they complete their work placements. One of the scheme's big deficiencies is that the training provided is often relatively basic.

Small businesses, employing fewer than 25 workers, gained the largest benefits from the scheme, according to the report.

It estimates that about 40 per cent of the approxiamately 373,000 work placements provided by the scheme displace other employees.

●British companies could improve their performance by at least 10 per cent by providing improved training, according to a report by the Manpower Services Commission published today.

The report is based on an analysis of the 1,132 entrants for last years National Training Awards, which the commission said amounted to the largest survey of companies' training yet undertaken. It says it has established a clear link between the quality of training and improved business performance.

The report says training programmes at a majority of the companies which entered for the awards suffered from a lack of clearly specified training needs and objectives. Equally rare were clear measures to assess the value of training in terms of work performance.

Both reports are available from the Manpower Services Commission, Moorfoot, Sheffield, S1 4PQ

Printers issue warning over single union deals

BY JIMMY BURNS, LABOUR STAFF

ATTEMPTS by the Trades Unioo Congress, the union umbrella organisation, to minimise conflict between unions over single-union recognition agreements is likely to come under renewed pressure, according to leaders of Sogat, the general print union.

Writing in the latest issue of the union's journal, Mrs Brenda Dean, Sogat's general secretary, strongly criticises the decision of the EETPU electricians' union to sign a sole-bargaining agreemeot with a Finnisb-owned company for a new paper mill in the west of Scotland.

In the deal, Caledonian Paper, a subsidiary of Finnish forestry products group Kymmene, is recognising the EETPU as the only union for the 300 manual workers it plans to employ at its £215m high-technology paper mill in the largely non-union town of Irvine.

Describing the agreement as a "sweetheart deal with management", Mrs Dean says the considers the actions of the EETPU as a "form of trade union cannibalism" which leads to de-unionisation."

She says that while the TUC had in the past shied away from taking action against the EETPU, it could now find its hand "forced by its members."

Mrs Dean claims that Sogat represents 92 per cent of the organised process workers in the paper and board industry and will attempt recruitment at Irving.

SUDAN GEIZRA BOARD and NATIONAL RURAL WATER DEVELOPMENT CORPORATION (CENTRAL REGION)
INVITATION FOR BID - WORKSHOP TOOLS

Tender No: GRP 100
Tender No: GRP 101
Tender No: GRP 102

1. The Republic of Sudan has received Credit from the International Development Association (IDA) in various currencies towards the cost of the Rehabilitation of the Gezira Scheme and it is intended that part of the proceeds of this Credit will be applied to eligible payments under the Contract for the Supply of Workshop Tools and Equipment to the Sudan Gezira Board and the National Rural Water Development Corporation, (Central Region).

2.Acting for and on behalf of the above organisations the Rehabilitation Project Management Unit (RPMU) now invites sealed Bids from eligible Bidders for the supply of:

GRP 100
Lot 30 - Workshop Consumables
Lot 31 - Garage Equipment, Servicing
Lot 32 - Garage Equipment, Repair & Reconditioning
Lot 33 - Powered Hacksaw Machines
Lot 34 - Drill and Tool Grinders
Lot 35 - Hand Held Portable Electric Tools
Lot 36 - Drawing Boards & Drawing Office Supplies
Lot 37 - Electricians Tools & Equipment

GRP 101
Lot 4 - Gantry Cranes, Floor Cranes, Chain Blocks Rigid Towing Bar
Lot 5 - Drilling Rig Accessories
Lot 6 - Capstan Lathes
Lot 7 - Centre Lathes (Large)
Lot 8 - Centre Lathes (Medium)
Lot 9 - Centre Lathes (Small)
Lot 10 - Slotting Machine
Lot 11 - Vertical and Horizontal Milling Machines
Lot 13 - Shaping Machines
Lot 15 - Drilling Machines
Lot 18 - Arc Welding Equipment
Lot 19 - Wood Working Machinery
Lot 20 - Compressors and Spray Painting Equipment
Lot 21 - Melting Furnace, Crucibles, Annealing Oven Pyrometers
Lot 27 - Railway Pit Jack
Lot 28 - Railway Traversing Jack

GRP 102
Lot 1 - Truck Cranes and Mobile Cranes
Lot 2 - Electric Overhead Travelling Cranes
Lot 3 - Fork Lift Trucks
Lot 12 - Universal & Horizontal Milling Machines
Lot 14 - Surface Grinding Machines
Lot 16 - Forge Hammer
Lot 17 - Automobile and Truck Lifts
Lot 22 - Crankshaft Grinding Machines
Lot 23 - Sheet Metal Machines
Lot 24 - Diesel Powered Generating Set
Lot 25 - Oxyacetylene Profile Cutting
Lot 26 - Diesel Pump Test Bench
Lot 29 - Dynamometers

GRP 100 will be available from 6 February 1988 and GRP 101 and GRP 102 will be available on 13th February 1988 and 20th February 1988 respectively.

3.Interested eligible Bidders may obtain further information from and inspect the bidding documents at the office of the Executive Director of the RPMU, PO Box 3915, 6th Floor, Tower 2, Sudanese Kuwait Centre, Sharia EL Nil, Khartoum, Sudan (Telex 22224 RPMU) OR at the Crown Agents for Oversea Governments and Administrations, Middle East Department (BA2), St Nicholas House, St Nicholas Road, Sutton, Surrey, England (Telex) 916205 CALOND).

4.A complete set of Bidding Documents for each Tender or Part Tender may be purchased by any interested eligible Bidder on the submission of written application to the above and upon payment of a non-returnable fee of Sudanese Pounds 900 or US Dollars 200.

5.All Bids must be accompanied by a security of not less than two percent (2%) of Bids amount and must be delivered to the RPMU offices on or before 10.00 hours on 2nd April 1988 GRP 100, 9th April 1988 GRP 101 and 16th April 1988 GRP 102.

6.Bids will be opened in the presence of those Bidders' representatives who choose to attend at the office of RMPU at the address given in paragraph 3 above at 10.00 hours on the respective Bid opening date.

London

dated 27 January
Credit No 1388 SU
IFB No GRP 100/101/102
Ref: 28-A-4/11

Company Notices

IRELAND
USD 100,000,000.-
PRIVATE PLACEMENT ISSUE DUE 1997/2000
(Coupon No 6)

Pursuant to note conditions, notice is hereby given that for the interest period from 6th February 1988 to 6th August 1988 an interest rate of 7 1/16 pct per annum will apply.

Amount per coupon - USDLRS 35,704.86
Payable on 8th August 1988

Reference Agent:
The Long-Term Credit Bank of Japan Ltd
London Branch
Dated 8th January 1988

NATIONAL BANK OF HUNGARY
USD. 100,000,000.-
FLOATING RATE NOTES DUE 2000

Pursuant to note conditions, notice is hereby given that for the interest period from 29th January 1988 to 29th July 1988 the following interest rates will apply:-

	(15 year original note) Cpn No.7	(3 year converted oote) Cpn No.1
Rate per annum	7 15/16 pct	7 9/16 pct
Amount per coupon	USD 401.28	USD 382.33
Payable on	29th July 1988	29th July 1988

Reference Agent:
The Long-Term Credit Bank of Japan Ltd.,
London Branch
Dated 29th January 1988
Published 8th February 1988

STANWICK INTERNATIONAL CORPORATION S.A.
Registered Office:
LUXEMBOURG, 14, rue Aldringen
Commercial Register:
LUXEMBOURG Section B 13142

DIVIDEND ANNOUNCEMENT
The annual meeting of shareholders held on 1st February, 1988 has approved the payment of a dividend of
US$ 9.50 per share
to shares subscribed and in circulation on February 1st, 1988
Such Payment being payable on or after 8th February, 1988 against presentation of coupon number 2 from bearer share certificates at:
- BANQUE GENERALE DU LUXEMBOURG S.A.
27, Avenue Monterey
LUXEMBOURG
- INTERALLIANZ BANK ZURICH A.G.
Stadthausquai I
ZURICH / SWITZERLAND

Shares will be quoted ex-dividend as from 8th February 1988.

By order of the Board of Directors

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(B.A.I.I.)
US$ 100.000.000 FRN
Due 1997

Notice is hereby given that the rate of interest for the period from February 4th, 1988 to August 4th, 1988 has been fixed at 7.25%
On August 4th, 1988 interest of US$ 368.53 per US$ 10.000 nominal amount of the Notes and interest of US$ 3685.28 per US$ 100.000 nominal amount of the notes will be due against Interest Coupon No. 6

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Public Notices

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and
IN THE MATTER OF NATIONWIDE CARPET STORES LTD
(In Voluntary Liquidation)

NOTICE IS HEREBY GIVEN pursuant to Section 584 of the Companies Act, 1985 that a General Meeting of the Member of the above named Company will be held at 1 Wardrobe Place, Carter Lane, London EC4V 5AJ on Thursday 3rd March, 1988 at 10 a.m. to be followed at 10.15 a.m. by a General Meeting of the Creditors for the purpose of receiving an account of the Liquidator's Acts and Dealings and of the conduct of the Winding-up to date.

Dated this 29th day of January 1988

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Privatisation of Girobank may be advanced

BY DAVID THOMAS

THE PRIVATISATION of Girobank, the Post Office's banking subsidiary, may take place more quickly than had been expected, because the Government may not need legislation to carry out the sale.

The Union of Communication Workers, the main postal union, has alerted the Labour Party's front bench to that fact, which has been acknowledged by the Department of Trade and Industry, and has asked Labour to be ready to oppose a quick sale of Girobank.

The bank became an obvious target for sale when Mrs Thatcher, the Prime Minister, ruled out privatisation of the Royal Mail, but not other Post Office activities such as Girobank and counter services, during the general election campaign.

Girobank last year made an operating profit of £23.1m on turnover of £328m. It has more than 2m personal accounts and net assets of £100m, and has been expanding its services into such areas as mortgages.

Industry Department officials have been studying the implications of the Prime Minister's campaign remarks, but so far there has been no news of decisions. Most observers expected the sale of Girobank to be some way off, if only because of the need to pilot legislation through Parliament.

However, a little-known section of the 1981 British Telecommunications Act, which separated the Post Office from British Telecom, gives the Trade and Industry Secretary powers to order the Post Office "to dispose of any part of its undertaking or any assets held by it."

The Post Office, which has also been studying the implications of privatising Girobank, has concluded that the Government could invoke this section of the act to sell Girobank without needing new primary legislation, although Parliament would have to be informed.

Mr Alan Tuffin, UCW general secretary, said: "We are obviously very concerned, because it's a back-door method of privatisation by which the full rigour of parliamentary scrutiny can be dodged."

The Industry Department said legislation would not be needed under some options for privatising Girobank, but might be required under other options. It would not elaborate on that statement.

The Post Office has been studying the consequences of privatisation for its counter network, because Girobank operates through post offices.

The UCW believes the Government would probably need legislation to privatise the counter service, because that is integral to the Post Office's duties as they are now legally defined.

Late first-class post 'causing distress'

BY DAVID THOMAS

LATE DELIVERIES of first-class post are causing economic hardship and personal distress, the National Consumer Council says.

Mrs Sally Oppenheim-Barnes, council chairman, has written to Sir Bryan Nicholson, Post Office head, citing examples of difficulties resulting from late deliveries.

She said: "Delay in delivering social security payments sent by post can mean real economic hardship for people who depend on them for the essentials of life."

Late deliveries of credit card bills resulted in people having to pay interest charges that would not otherwise apply.

Sir Bryan, who became Post Office chairman last year, has acknowledged that the corporation cannot always meet its commitment to next-day delivery for first-class mail, particularly between far-flung areas.

The Post Office is investing to improve its service but also considering other action:

● Charging extra to guarantee next-day delivery to far-flung areas — which Mrs Oppenheim-Barnes said "would provide a direct incentive to Post Office staff to make a deteriorating service even worse."

● Introduction of compensation for delayed letters, linked to a premium charge — an idea Mrs Oppenheim-Barnes welcomes.

Grosvenor raises £21m

BY CHARLES BATCHELOR

GROSVENOR Venture Managers, a venture capital group based in Slough, Berkshire, has raised a £21.7m development capital fund.

The Third Grosvenor Fund will double total funds under management to more than £40m. Grosvenor originally set a £20m target for the fund in early 1987 and raised it to £25m in September. It failed to reach the more ambitious target in the wake of the October stock market crash.

The main investors in the new fund, which takes the form of a limited partnership, are the West Midlands Metropolitan Authority, Postel Investments, British Rail and National Westminster Bank.

Liverpool gets £1½m to ease cash crisis

By Ian Hamilton Fazey, Northern Correspondent

THE GOVERNMENT is to increase Liverpool's urban programme allocation by £500,000 for the next financial year to help to ease the city's continuing financial difficulties.

The extra money will be announced this week by Mr David Trippier, inner cities minister in the Environment Department.

This follows the Government's refusal to allow the rate-capped city to put up rates by more than 1 per cent in an attempt to bridge an impending budget deficit of £51m.

It means the city will have £19m to spend on approved projects yet to be decided, possibly enabling a switch of some funding from the city's budget.

Although the amount of extra money seems small, the move is financially and politically significant. The Government's original intention had been to cut Liverpool's urban programme funding.

Politically, this signals some degree of understanding of the city's financial difficulties, while not relaxing rate-capping, a move that would have led other rate-capped authorities to demand similar treatment.

It may also help prevent more acrimony between the two sides, which Mr Keva Coombes, Labour council leader, believed would play into the hands of left-wingers wanting confrontation.

Liverpool wanted to put rates up by 5 per cent and may now have to cut jobs and services to balance the budget.

However, Mr Coombes has managed such situations successfully before without cuts. When leader of the now abolished Merseyside County Council, he refused to set a detailed budget and ran a very tight ship from week to week to stay within spending limits.

A similar approach now seems likely - probably leading to greater efficiency - with the urban programme funding a key regeneration strategy to clean up Liverpool's city centre, improve parking and security, and get shoppers and workers back into the retail and commercial heart of Merseyside. A similar drive in Manchester has affected all aspects of city-centre life.

Move to speed building of Thames bridge

By Peter Riddell, Political Editor

THE GOVERNMENT will soon try to remove the main obstacle to early development of a bridge across the River Thames east of London between Dartford and Thurrock.

The bridge would be the first privately developed and built, important river crossing.

A select committee recommended a windshield which might cost an extra £10m to £15m and delay completion by 15 months.

The Government is expected to announce in the next fortnight that it has rejected total windshielding. However, partial windshielding may be raised.

The issue will be determined in the Commons at the report stage of the bill to allow the scheme to proceed.

Hugh Carnegy finds pointers but too few facts in the RUC investigator's book

Stalker believes shoot-to-kill trail is cold

THE ROYAL Ulster Constabulary inquiry is now stale and the evidence too thin to warrant prosecutions, writes Mr John Stalker, former Deputy Chief Constable of Greater Manchester, in his book, Stalker, published today.

In a remarkable statement, in the light of the most recent row reverberating from his inquiry into the RUC's activities, Mr Stalker says in the penultimate paragraph: "To be absolutely blunt, this case is now, in November 1987, quite stale, and it could reasonably be argued that because of the passage of time and the diminishing quality of the evidence, the public interest does not now demand prosecutions."

He adds that this would be a "perfectly proper legal and moral stance" and an "eminently sensible" one in the context of Northern Ireland.

Clearly, whatever else he uncovered during his truncated investigation into the killing by RUC officers of six men, five unarmed, in County Armagh in late 1982, it did not include the well-worn political fundamental of Northern Ireland that, like elephants, no one forgets.

Sir Patrick Mayhew, the Attorney General, discovered when he announced much the same conclusion late last month, that the issues thrown up by the "shoot to kill" inquiry will not be allowed to fade away, at least by the Nationalist community of Northern Ireland and the government of the Republic.

They may well be surprised by Mr Stalker's remark about prosecutions because, as evidenced by his warm reception in Dublin over the weekend, he became a kind of hero in Roman Catholic eyes in the fraught battle between Irish Nationalists and British authority.

The political reality of this deep-rooted conflict is that in Northern Ireland there is no such thing as neutrality.

Mr Stalker, quite properly, chose to ignore that. His account of his inquiry, which began in May 1984 and ended with his abrupt removal in May 1986, makes much play of his determination not to take sides.

Unfortunately, it simply was not possible because, as he points out, the minute he began to seek evidence from relatives and associates of the dead men, five of whom had known links with the IRA and INLA, the RUC began to regard him as hostile.

Mr Stalker ackowledges another difficulty: the different constitutional basis of Northern Ireland meant that he had no formal authority in the province but relied on that of Sir John Hermon, the RUC Chief Constable, to whom he reported and who set his terms of reference.

Mr Stalker alleges that as inquiries began to lead him higher and higher up the RUC hierarchy, Sir John became more and more obstructive.

Mr Stalker writes that he and his team had established grounds for prosecuting 11 senior RUC officers after painstaking investigation into the six killings, which took place in three separate incidents.

They uncovered further evidence of police lies, not just to the public through false press statements, but also to investigating officers about the circumstances of the killings.

John Stalker: evidence thin and inquiry stale

(False police evidence uncovered at earlier trials of policemen accused and acquitted of murder prompted the setting up of the Stalker inquiry.)

Mr Stalker was disturbed by RUC Special Branch lack of accountability, sloppy forensic practices and the practice of making very high payments (he does not say how much) to informants.

The most important issue, however, was Mr Stalker's discovery of the existence of a tape recording made by MI5 of the killing on November 24 1982 of Michael Tighe — a 17-year-old with no known connections to paramilitary groups. The incident took place in a hay barn where police knew explosives used in a landmine blast that had killed three RUC men had been stored.

The tape would prove whether police accounts of the incident were true or, as a wounded survivor, Martin McCauley, alleged, the two were shot without warning.

Mr Stalker writes: "I was in Northern Ireland investigating what had become known as a shoot-to-kill policy. I could think of no better way of proving, or disproving, this awesomely serious allegation than to obtain a copy of that tape."

He says MI5 backed his demands to hear the tape or see a transcript, but that Sir John repeatedly blocked him. After filing a 16-volume interim report and delays of many months, and once the backing of Sir Barry Shaw, the Northern Ireland Director of Public Prosecutions, had been secured, Mr Stalker was about to get the tape and interview Sir John under caution when he was pulled off the case.

He was then to face an investigation into his own conduct in Manchester by Mr Colin Sampson of the West Yorkshire police. Mr Sampson also took over the RUC inquiry.

Mr Stalker was never able to conclude whether, indeed, there was an overall RUC policy of "shoot to kill" but he says: "The circumstances of those shootings pointed to a police inclination, if not a policy, to shoot suspects dead without warning rather than to arrest them."

The Nationalist conviction that there had been a cover-up by the British establishment was lent weight by the failure of Mr Sampson to provide more than a few petty allegations of misuse of police cars by Mr Stalker, who was cleared by the Manchester Police Committee.

Mr Stalker, too, is convinced that his removal was directly linked to the uncomfortable evidence he was uncovering in Northern Ireland. However, he does not point the finger at Sir John but at "the highest levels" of the British Government.

His hard evidence is thin, but whether or not he is right his reasoning points to the heart of the whole murky issue.

The emergence of his findings coincided, in mid-1986, with one of the toughest periods ever faced by the RUC. It was under intense attack from the majority Protestant community, which was enraged by the November 1985 Anglo-Irish agreement. If the force cracked under the strain of Loyalist violence — which included vicious attacks on police officers' homes — so would the accord.

Mr Stalker argues that the Government must have judged that the RUC could not have withstood the extra strain of his findings becoming public and it therefore looked for a way to remove him.

His book is inevitably inconclusive, but it inadvertently illustrates the fact that the RUC faces circumstances quite unlike any other British police force. The RUC also lives with the huge strain imposed by the now long established policy of "police primacy" under which the RUC, not the army, shoulders the main burden of confronting disorder.

Mr Stalker acknowledges that in Northern Ireland: "If the police fail, then Government fails." The trouble is, as the Stalker affair has shown, it is hard to get both communities to agree on what constitutes police failure.

Stalker. By John Stalker. Horrap. £12.95

Nationwide Anglia to boost funds £100m

BY ERIC SHORT

NATIONWIDE Anglia Building Society, Britain's third largest, today becomes the first society to make use of new capital-raising powers granted to building societies.

It is expanding its capital base by £100m through the issue of subordinated loan stock under powers granted to building societies by an order laid before Parliament last month and becoming effective today.

Up to now, building societies could expand their capital base only from the profits made on their normal business.

However, the Building Societies Commission, the official regulating body of the industry, has agreed that societies can now raise capital by subordinate debt, subject to certain conditions. Such loans will be included in their capital adequacy calculations.

Under the terms of the order, such debts are subordinate to that of other creditors, including share account holders, in the repayment rights should the society be wound up. The move has put building societies on the same footing as banks in capital-raising.

Building societies were given new powers of operation under the 1986 Building Societies Act, including unsecured lending, estate agency operations, insurance broking and direct housing involvement.

However, exercising those powers will require societies to expand considerably their capital base. Societies can count subordinated debt as representing up to half their primary capital.

Mr Tim Melville-Ross, chief executive of Nationwide Anglia, said authorities throughout the world were putting pressure on banks to maintain the strongest possible capital base and it was only a matter of time before the pressure was felt by building societies.

The loan, which was arranged by Baring Bros, is for 10 years with interest paid at 0.65 per cent above Libor (London Inter Bank Offer Rate). It has been subscribed completely by overseas investors.

Nationwide Anglia's overall capital base prior to this development was about £720m.

Life companies warned over personal pensions

BY ERIC SHORT

LIFE COMPANIES have been warned by Mr Michael Portillo, junior social security minister, not to market personal pensions before they are available on July 1, 1988.

Under the Government's new pensions environment, employees will be able, from April 6, 1988, to opt out of their company pension scheme or the State Earnings-Related Pension Scheme (Serps) and make their own arrangements through a personal pension.

Life companies are gearing themselves for a big personal pension marketing campaign, mainly for employees not in a company pension scheme but also for those wanting to leave their company scheme.

Many companies have already published details of their personal pension contracts, even though those have yet to be approved by the Superannuation Funds Office of the Inland Revenue and the Occupational Pensions Board (OPB).

In a letter to the Association of British Insurers, Mr Portillo expresses concern that sales staff may try to persuade people to commit themselves to a personal pension before the contract has received approval from the board.

Mr Portillo gives two main reasons for not pre-selling personal pensions.

First, the contracts themselves have not been approved. The OPB has made clear that it will not issue the contracting-out certificates on any personal pension until July 1.

Second, many key rules in the financial services legislation do not come into force until July 1.

That has not deterred many life company sales staff from marketing personal pensions and persuading clients to commit themselves to taking out a contract from July 1, particularly as the contract-out and tax relief can be backdated to April 1987 for employees not in a company scheme and to April 1988 otherwise.

Some life companies, such as Allied Dunbar and Prudential, believe a policy of keeping personal pensions under wraps until July 1, as if they do not exist, is unrealistic, particularly because under present marketing conditions many new unit trusts have a pre-launch marketing period of as much as two months, with discounts on sales during that time.

All life companies admit that they are reconsidering their strategy in the light of the letter.

Gould urges left not to challenge Kinnock

BY JOHN HUNT

MR BRYAN GOULD, Labour's shadow Trade and Industry Secretary, yesterday appealed to the majority in the left-wing Campaign Group not to challenge Mr Neil Kinnock for the leadership.

He believed it was only a "tiny and impotent" minority within the group who wanted to force a leadership contest later in the year, and said that would not be in the interests of the party.

His remarks came amid speculation that Mr Tony Benn, the left-wing MP for Chesterfield, would be persuaded to force a leadership contest.

However, Mr Benn, interviewed on BBC radio's Weekend World, said: "I am not seeking a candidature."

He was strongly critical of the present attitude of the leadership and, by implication, the statement of aims and objectives for the party published on Friday by Mr Kinnock and his deputy, Mr Roy Hattersley.

Mr Benn said: "It looks as if the present leadership is trying to seize all political power for itself and force the party to accept key elements in the Thatcherite consensus."

He said he saw the party as a radical, democratic, internationalist, socialist one and unless it meant what it said on policy he did not think it was going to be electable.

Ms Clare Short, the left-wing MP for Birmingham Ladywood, said on BBC TV's This Week Next Week that she thought it unlikely that Mr Benn would stand for the leadership and she saw no other credible contestant.

However, another prominent left-winger, Mr Eric Heffer, declared: "Personally I have to say that if anybody stands it should be Tony."

Mr Heffer said he could accept much of what was contained in the statement of socialist aims put forward last week but he thought it was guilty of "surreptitious revisionism" in the sections accepting the operation of market forces in some parts of the economy.

"You can't have decisons being made just at top level," he said. "I don't accept the sort of democratic centralism that is all centralism and very little democracy."

● The Fabian Society is to carry out a two-year review of the British tax system which is intended to be a "fundamental reassessment." The results will be fed into the Labour Party'e long-term policy review.

Arts report criticised by Ridley

By John Hunt

AN INDEPENDENT report on the role of the arts in regenerating the inner cities has earned a rebuke from Mr Nicholas Ridley, the Environment Secretary.

The report, commissioned by Mr Richard Luce, Minister for the Arts, recommends increased government spending on the arts in the inner cities as a means of creating employment and attracting tourists and businesses to those areas.

However, Mr Ridley, in his observations on the proposals sent to the Cabinet Office, takes an extremely critical line.

The Department of the Environment yesterday denied reports of a row between Mr Ridley and Mr Luce, but an official of the department confirmed that the Environment Secretary had pointed out that extra spending was not possible at the moment.

"Local authority spending is pretty tight. That was pointed out. It would be difficult to increase spending at this time," the official said.

Mr Mark Fisher, Labour's arts spokesman, is trying to to put down a private notice question for answer in the Commons today so that Mr Luce can make a statement and be questioned on the matter.

It is understood that the report has caused embarrassment to the Government and that it will not be widely circulated, but will be placed today in the members' library in the Commons.

In some respects the report, written by Mr Paul Collard, director of the National Film Theatre Museum, is close to Labour's arts policy. It recommends the establishment of a special economic unit to co-ordinate arts strategy between local authorities.

The report is understood to be critical of the Department of the Environment for failing to involve inner-city local authorities sufficiently in government-funded arts programmes.

A supporter of privatisation says the break-up of the CEGB may backfire. Max Wilkinson reports

The factors that make electricity a different case

"IN THE privatisation of electricity, reading the book of experience should be accorded priority over gazing into crystal balls."

That is the theme and last sentence of an authoritative paper by a free-market economist who believes that any plan to break up the £27bn Central Electricity Generating Board muet be approached with extreme caution.

The conclusion, by Professor George Yarrow, fellow of Hertford College, Oxford, may take the Government by surprise, for he has been a leading advocate of privatising the electricity industry and a critic of the way in which the gas and telecommunications industries were sold off as monopolies.

However, electricity is different, he says, partly because of the possibility that widespread blackouts can occur if demand for electricity gets far ahead of potential supply and partly because of the long lead times and high capital cost of new plant.

Because electricity cannot be stored like other commodities and is difficult to ration, he says, there is a natural tendency throughout the world for electricity enterprises to move towards collaboration rather than competition.

Co-operation enables suppliers to privide mutual insurance against unforeseen breakdowns of plant and to minimise total costs by reserving the expeosive plant with highest running costs for periods of maximum demand.

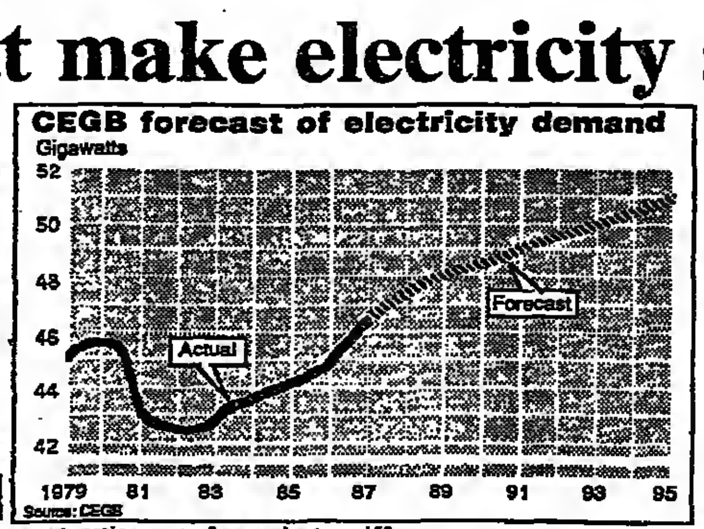
He also notes that none of the leading economies has adopted a system that makes a clear split between ownership of power stations and of transmission lines, as has been proposed for the UK.

He says it would require a "reckless degree of confidence" to believe that "governments and utilities worldwide have got their policies wrong" and there is little evidence that technological change has made existing structures obsolete.

Since available evidence suggests that the CEGB is an efficient operator by international standards, Prof Yarrow says the main benefits that might follow privatisation would come from a lowering of coal prices and from cutting the cost of building new power stations.

The high price of British coal, he believes, reflects past government policies rather than the inadequacies of the CEGB, so the main focus for improvement should be on lowering the construction cost of new plant.

CEGB forecast of electricity demand



Source: CEGB

He agrees with the government view that increased competition in a privatised industry could make an important contribution to lowering costs, provided that potential entrants to the industry could obtain a high enough price to make building a power station attractive.

Whatever the structure of the industry, he says the key to giving the right price signals to potential new competitors will be effective regulation. The regulator will have to guarantee a "level playing field" not only in the pricing of power, but also in the setting of transmission tariffs.

"Given the market tendency towards integration, attempts to inject more competition into generation will rely heavily on the adoption of appropriate regulatory policies. That is, competition will have to be 'managed'", he says.

He quotes extensive evidence from the US in support of the view that breaking the industry into smaller parts is not likely to create a competitive market that would promote the entry of new players.

Generating companies, he believes, would have powerful motives to collude to keep out new entrants and to raise the price of electricity from existing plant — especially at times of shortage.

Distribution companies could have strong motives to make excessive use of the transmission grid to bid for cheap supplies, if the costs of transmission were shared. That would push up the capital costs of the grid, particularly if distributors entered collusive arrangements to try to beat the generating companies.

He says collusion by monopoly distribution companies controlling the grid could have even worse effects than collusion by generators.

Moreover, he says, US experience suggests that it would be almost impossible for generators and distributing companies to agree satisfactory contracts, which balanced the need for long-term security with the need to anticipate all future contingencies.

Since both sides would try to make tbe best profit out of existing contracts as circumstances changed, generators might be vulnerable to opportunistic behaviour by their customers. To balance that risk, their cost of capital would be higher than might otherwise be necessary.

Even if these contracts were closely supervised by a strong regulator, Prof Yarrow believes that many of the electricity enterprises might epend more time trying to beat the system than in maximising efficiency.

"The underlying problems arise from the technology of the industry: no organisational arrangements can change the fact that control of the transmission and distribution grids confers monopoly power and that there are strong preseures towards collusion and collaboration at all stages in the generation, transmission, distribution chain."

Therefore, he believes, all efforts must be directed to establishing a really effective regulatory regime for the whole industry.

That leads him to conclude that the chances for fresh competition in the building of power plant would be better if the CEGB retained its monopoly of generation and transmission under strong regulation, than if the industry were broken into more "competitive" pieces.

Some economic issues surrounding the proposed privatisation of electricity generation and transmission. George Yarrow. PRIMA Europe, 10-12 Cork St London W1. £6 incl p&p.

Inner-city jobs scheme likely to be expanded

BY RALPH ATKINS

THE LONDON Compact experiment, which aims to provide inner-city schoolchildren with a passport to jobs in local businesses, is poised to expand to other cities.

A meeting next Monday should lay the foundations for a similar project in Birmingham. A feasibility study is under way in Sheffield while other schemes are being considered in Durham, Bristol, Salford and Hull.

The project is based on an idea imported from Boston. It is designed to strengthen links between business and the local education system and increase the relevance of school studies to industry.

Children are given targets which include attendance, punctuality, personal skills and academic achievement. If met, they can lead to permanent employment.

The London Compact was launched in the East End in September 1987 by Prince Charles. It started with four schools, but its organisers hope to expand it to 10 in September – securing jobs for perhaps 1,000 children in one of the most deprived areas of Europe.

Other compacts are expected to be launched in the south and west of London this year. However, organisers fear that the demise of the Inner London Education Authority, which helps to finance the scheme, will push up the cost of further expansion.

In Birmingham, a meeting chaired by Sir Adrian Cadbury in January led to plans for a partnership between the city's education department and local companies. It followed a successful national conference hosted by Birmingham in November which included a presentation by organisers of the London Compact.

A formal business/education partnership is expected to be launched in Birmingham this year to build on activities being organised in the city. A series of four or five compacts, each involving about three schools, may be launched in early 1989.

"There is quite a lot already going on in Birmingham, but it is a bit ad hoc and piecemeal," said Ms Philippa Cordinley, assistant chief education officer.

The partnership, as yet unnamed, will be financed jointly by the education authority and business. Companies involved include IBM, Austin Rover, British Rail, Cadbury Schweppes and British Gas.

Unlike the London scheme, the Birmingham Compact will probably not guarantee jobs for children, but it should give students who meet their targets priority in interviews with participating companies. Students will also be given follow-up interviews if they are not successful.

The organisers of the Sheffield Education–Industry Partnership, launched in January, hope to involve 36 secondary schools in a city-wide compact. About 200 local companies have been invited to take part.

Again the scheme is unlikely to guarantee jobs. But organisers believe the scheme will stimulate economic regeneration and increase the employment prospects of local children

Single higher-rate tax band 'an option'

By Philip Stephens, Economics Correspondent

MR NIGEL LAWSON, the Chancellor, may opt for a single higher-rate tax band of 40 per cent to replace the present five bands ranging from 40 per cent to 60 per cent, James Capel, the City securities house, says today.

However, much of the benefit for the highly paid might be clawed back by abolishing the upper earnings limit on National Insurance contributions and restricting mortgage interest relief to the basic rate of income tax.

Capel says in its economic review that Mr Lawson, in spite of recent Whitehall attempts to dampen expectations ahead of the Budget, is likely to announce tax cuts worth a net £4bn. That would still allow a zero public-sector borrowing requirement.

Gross cuts in income tax are likely to be worth even more, because the Treasury can raise extra revenue through increasing excise duties.

The easiest option for changes in the higher rates of income tax would be a straight 10-point cut in all the bands, or their replacement by just two rates of 40 per cent and 50 per cent.

However, a more ambitious plan would be the single higher rate of 40 per cent coupled with abolition of the National Insurance ceiling.

Some middle-income taxpayers would lose by the change but could be compensated by a larger-than-expected cut in the basic rate of tax.

Mr Lawson might cut the basic rate to 24p rather than 25p, within the overall £4bn target for tax cuts.

Capel is relatively optimistic about this year's economic outlook.

It predicts 3 per cent growth and inflation averaging below 4 per cent but sees a further marked deterioration in the current account of the balance of payments.

More work for civil engineers

By Andrew Taylor

THE CIVIL engineering industry's climb out of recession is continuing, with firms of all sizes reporting improved order books, according to a survey published today by the Federation of Civil Engineering Contractors.

The workload survey is published a week after a separate study by the Building Employers Confederation, which showed that orders for building companies were at their highest level since the early 1970s.

The civil engineering federation, which conducted its survey in January, said: "This rising trend appears to have spread outwards from the south-east in a welcome ripple, though in Scotland and some northern parts of England the recovery has remained much less discernible."

Almost 70 per cent of companies questioned said order books had increased during the past 12 months

The federation said shortages of engineers, quantity surveyors and other skilled labour were still being reported.

Woolworth outlines five-year strategy

BY MAGGIE URRY

WOOLWORTH Holdings, the UK retail group, is today writing to shareholders outlining its strategy for the next five years. It is now five years since Woolworth, then loss-making, was bought for £300m by the Paternoster consortium and relaunched under new management.

Mr Geoffrey Mulcahy, group chief executive, tells shareholders: "We are setting out to use our assets more efficiently than ever before." He forecasts a period of extensive change.

At a time when there are some doubts about the health of the retail trade and the strength of consumer spending, Mr Mulcahy warns of "possibly excessive expenditure in high street refurbishment and space expansion" in the retail sector.

Woolworth will concentrate on three areas: the high street, through its Woolworth variety store and Superdrug drugstore chains, and other experimental chains such as Kidstore and Volume One, a bookshop; out-of-town, represented by B&Q, the do-it-yourself chain, Comet, the electrical retailer, and B&Q Homecentres; and the £800m property portfolio including properties used within the group and development of sites for other retailers, including joint ventures.

Although the company has been criticised by analysts for being slow to turn round the Woolworth chain itself, Mr Mulcahy says the Focus strategy, launched in March 1986, helped the chain to double profits in 1986-87, when it achieved a 20 per cent return on capital employed. The second phase of the strategy will see a streamlining of Woolworth's systems, distribution and buying and new merchandise ranges.

The group will also add more "specialist concepts" such as Kidstore and Volume One.

B&Q will be expanded from 220 stores to 300 by 1990 and Comet will be developed to offer a wider range of branded goods in a new format.

In the high street, Woolworth will develop 1m sq ft of retail space in 1988. In the out-of-town sector, five retail park sites are under development.

New Scientist US growth plan

NEW SCIENTIST, the weekly science magazine, is planning a £2.6m US expansion.

IPC, the publishing company that owns it, believes it should be possible to lift US sales to 100,000 a week in four years. Its present world circulation is 90,000.

Accountancy profession shifts on fraud reporting

BY RICHARD WATERS

THE ACCOUNTANCY profession last week made two further important concessions in its long-running dispute with the Government over how accountants should help to crack down on fraud and other illegal acts.

The Institute of Chartered Accountants in England and Wales issued guidelines to its members explaining when and how they should report illegal acts. They show a significant move beyond the profession's previous insistence that all relationships with clients are confidential.

The Auditing Practice Committee, meanwhile, issued draft rules for auditors of financial services companies. Those "help auditors with the new and difficult problem of reporting direct to the regulators in certain extreme circumstances," said Mr Matthew Patient, chairman of the APC. "In this area, auditors are assisting the regulators in giving greater protection to investors – a service which the Government has been keen to encourage."

These rules, prompted by the Financial Services Act, closely follow guidance to bank auditors, who are obliged under the Banking Act to report suspected fraud to the Bank of England.

Last month, the APC issued guidelines for auditors of companies outside the financial services area explaining how they should report fraud and illegal acts. They contained the first admission, after three years of dispute with the Government, that auditors could do more to help the authorities.

The breakthrough has been achieved by focusing auditors' attention on when they should report in the public interest. That overcomes their common-law duty of confidentiality.

The institute's guidance says factors that should be taken into account when deciding whether the public interest is at stake include the extent of the likely financial damage, the likelihood of repetition and "the gravity of the matter."

Upturn in beer output

BY LISA WOOD

BEER PRODUCTION in the UK last year showed a 0.8 per cent increase, with total production at 36,599,716 bulk barrels compared with 36,319,895 the previous year.

The Brewers' Society said the upturn was the first for four years.

Production in December was 2,852,158 bulk barrels, ao increase of 4.1 per cent on the same month in 1986. The increase was led by lager.

In the fourth quarter of 1987, production totalled 9,404,852 bulk barrels, an increase of 2 per cent.

AGED COMPUTER systems are a powerful drag on a company's performance. Many companies – often those which were among the first to embrace the computer – are finding themselves held back today by old software which blights their efficiency and prevents them exploiting the latest business innovations. Yesterday's enterprise, they find, has cut them off from tomorrow's opportunity.

For many, a total systems re-write seems the only answer. An expensive, time-consuming operation, fraught with risk, it often seems only slightly preferable to losing market share through technical inadequacy.

The UK subsidiary of one of America's largest food groups, however, has stumbled on an unorthodox way of breathing new life into an old computer system.

At first sight it seems too obvious to be a genuine breakthrough, but nevertheless it has enabled the Nabisco Group to bring its most critical management information system up to scratch in record time.

Projected savings to the group as a whole of about £500,000 a year have been advanced by more than a year as a result.

Pioneered by Hoskyns, a UK-based but wholly-owned subsidiary of the US aerospace giant Martin Marietta, the technique may have much to offer those thousands of companies faced with the expensive and complex chore of re-writing computer programs which are now too old and patched to keep up with the pace of business today.

Nabisco, the New Jersey-based food giant best known in Britain for "Shredded Wheat", faced that problem when it set out to strengthen its position in the UK market back in 1982.

It won control of the then loss-making UK biscuit maker Huntley & Palmer after a tussle with Rowntree Mackintosh; as a result of the deal it inherited Smiths Crisps, Jacob's Crackers, Peek Frean biscuits, the classy chocolatier Bendicks – and a dog's breakfast of aged and incompatible computer systems.

There were, indeed, islands of computing excellence, but the general picture would have been familiar to anybody who has ever been faced with the task of bringing order out of the electronic chaos which inevitably follows a merger or acquisition.

Huntley & Palmer ran an IBM mainframe with Texas Instruments minicomputers,

When yesterday's enterprise is a bar to tomorrow's opportunity

Alan Cane continues his series by explaining why the UK subsidiary of the US foods group decidedto re-engineer its obsolete system rather than starting again from scratch

THE INFORMATION EDGE

Nabisco itself used Nixdorf minicomputers, Smiths Crisps operated Hewlett-Packard minicomputers – and so on and so forth.

Dan Bernard, brought in from insurance broker Willis Faber as management information services director to clear up the mess, remembers his starting point as "less greenfield opportunity than derelict site".

When Nabisco bought Huntley and Palmer it effectively doubled its UK turnover. In 1986 the combined group reported revenues of £494.5.6m and trading profits of £49.1m.

It is undisputed market leader in crisps and snacks in the UK – Smiths and Walkers have some 36 per cent of the market. But, in other market areas it remains a runner-np.

In biscuits, Nabisco is second to United Biscuits and in cereals, third to Kelloggs and Weetabix, all of them well managed, alert companies with sophisticated ideas about the use of information technology.

But while the competition was tough, it was not, in fact, the technological capabilities of Nabisco's competitors that worried Nabisco most – it was the rate at which its major customers, the supermarket chains like J Sainsbury, Tesco and Kwik-Save were investing in and using electronics.

Whereas a decade ago food salesmen would call at individual stores on Mondays taking orders for delivery during the Thursday of the same week, now the most advanced companies like Sainsbury and Tesco are moving towards 24-hour turnround.

They already send their orders to Nabisco automatically and electronically overnight using the "Tradanet" value-added network. Value-added networks combine telecommunications lines and computer control to create a fast, secure method of sending documents electronically.

The food business has taken to "just-in-time" methods as enthusiastically as enlightened parts of manufacturing industry.

"The crackers you see us making this morning will be on a lorry for delivery this afternoon," says David Lowther, Nabisco logistics planning manager. "In these circumstances, the quality of the information available to us is vital; we occasionally suffer from a lack of real information at the right time."

In such a high pressure business, manufacturers whose computer systems are not on a par with those of the retailers will be at a competitive disadvantage. "These retailers are very powerful," says Alan Brooks, Nabisco group MIS manager.

"If your products are not on their shelves, you do not sell. We cannot afford to have a less sophisticated system than our customers. We cannot afford to send our oational account managers to sell to the retailers with one hand tied behind their backs."

That was the scenario which faced Bernard as he contemplated the single most important element in the enlarged company's data processing armoury – the Huntley & Palmer order processing system, a venerable and idiosyncratic piece of software.

Fifteen years old and written in an unusual computer language rarely seen these days, it had been so modified, patched and repaired that nobody in the company really understood how it worked any more.

But it had one cardinal virtue. It was a thorough and sophisticated piece of work which still carried out all the functions expected of it. "It is a nightmare, but it still represents the core of our business," Bernard says.

The system, in fact, is the business. It still functions as well as its designers intended, but the out-of-date technology it uses means that it is inflexible and hard to alter.

"It works fine as long as you do not try to change anything – but every time you try to alter the system, you take a major risk," Bernard says.

Alan Brooks agrees: "Theoretically, we could have continued using the system for another 15 years, if we had been prepared to put np with the constraints."

Nabisco could not. The state of the order processing system represented a real threat to the business.

There were three principal areas of concern.

First, the inflexibility of the 15-year-old technology means that production information was updated only once daily – that is a serious restriction with the hectic pace of modern distribution.

In response to a simple management enquiry, it might churn out 1,000 pages of print-out.

Second, it was becoming increasingly hard to maintain the old software – even the proprietary database on which it operated was obsolete.

Third, Bernard knew that the key to offering superior service levels to his customers – the big supermarkets chains – was to develop a new and sophisticated company-wide computer system which would essentially link Nabisco, its suppliers and its customers in a single, seamless electronic web.

The old order processing system was simply not up to developments of that order. Bernard reckons Nabisco can meet 98 per cent of orders today; it is looking for a minimum 98.5 per cent. Every 0.5 per cent means a lot in the food business.

Phil Mari (left) and Dan Bernard: needed to update Nabisco's system for processing orders

After the takeover, the management consultancy Nolan, Norton (now merged with Peat Marwick) was brought in to make recommendations on overall systems strategy.

A oumber of sophisticated modern techniques were implemented – company wide electronic mail, for example, and viewdata systems for salesmen so that they could send reports from home.

And as part of the £6.5m development programme, Hoskyns was brought in to work on a packaged solution to the problem of the order processing system.

A software package is a generalised piece of software which should only need trimming round the edges to fit a multiplicity of customers.

With Nabisco, the trimming, modificstions and alterations reached such a level that Bernard had to call a halt.

Then Hoekyns proposed a technique it called "re-engineering" it had already used successfully at building services company Boulton and Paul.

Rather than re-write the order processing system from scratch, it would use the existing system as a model to create an exact replica but using the most modern computing techniques.

It sounds ridiculously simple and obvious. In fact, such is the haphazard way software is written today that experts agree that while not wholly original, Hoskyns has come up with a genuinely innovative approach

If the idea seems blindingly obvious, the execution was massively difficult.

Hoskyns specialists had to become software archaeologists, digging through piles of coded computer instructions to understand what the system was doing and why.

The work started last March and Bernard reckons his team and Hoskyns's team are about half-way through the 21-month project.

It is expected to go live at the end of this year. The cost of re-engineering is not expected to work out greatly different from re-writing from scratch and the system itself will be more expensive to run.

Where Nabisco expects to save money will be in the ease of making modifications necessary to keep it in touch with what its customers will ask for tomorrow.

Bernard argues that re-writing the system totally would have brought the same savings – but the timescale would have been much extended and indeed the project might never have been completed (see panel).

Robert Alcock, the financial director, says: "We are pleased with progress so far, but we have much further to go. We have largely finished the basic restructuring stage and are now moving rapidly towards putting into place the systems we will need for the 1990s."

Cutting across all the established principles

NABISCO'S competitiveness was at risk because the constraints built into its old order processing system were preventing it from playing n full part in the new electronic business systems that are beginning to dominate the retail trade.

Traditional paper-based systems of ordering and invoicing are oo the way out. They are being replaced by electronic data networks that link supplier to mannfactnrer and mannfacturer to retailer.

For many companies, this "electronic data interchange (EDI)" will be their first experience of competition through information technology.

Those whose own technology cannot make the most of EDI will find themselves at a crippling competitive disadvantage.

Systems written in yesterday's technology are hard to change; the only option open to most companies is a total re-write – expensive, disruptive and time-consuming.

Philip Mari, a consultant with Hoskyns who managed the Nabisco project, employed a re-engineering technique that is novel because it cuts across all the established principles of software design.

Faced with the task of rewriting an entire system, most software designers abandon anything that has gone before and start from scratch. The idea that the existing system might have something to teach them seems not to have found much favour up to now.

Philip Mari, a veteran in the design of real-time, critical systems, says the re-eogineering approach works well when the original system is still effective bnt limited in flexibility by the technology nsed.

Once his team had carried out its archaeological detective work on Nabisco's systems, it reconstructed it using a relational database and n fourth generation language both provided by Cincom, a leading US software house.

Relational databases make it easy to take several different views of the same company information; fonrth geoeration languages are designed to make modifications to systems quickly and easily.

Although Mari believes n high proportion of companies could make use of re-eogineering, he has not abandoned traditional methods.

The batch part of the Nabisco order processing system will be engineered using formal systems design methods.

APPOINTMENTS

Blackwood Hodge chairman

BLACKWOOD HODGE has appointed **Mr Roger Pinnington** as chairman-elect. He will take up the post after the annual meeting on May 12, when he will succeed the present chairman, **Mr Arthur Richards**, who will be retiring. Mr Pinnington, who joined the Blackwood Hodge board as a non-executive director in August 1987, is chief executive of RHP Group. **Mr George Law**, vice cheirman of Morgan Grenfell Group, has been appointed deputy chairman from the same date.

★

Mr Stuart Nesbitt has been appointed group sales and marketing director at THE LEVITT GROUP.

★

RDYSCOT FINANCE GROUP bas appointed **Mr David Burgess** as sales and marketing director at its subsidiary, Royal Bank Leasing. He was divisional manager, sales support division, at SocGen Lease.

★

Mr Bruce M. Warman has been appointed personnel director, VAUXHALL MOTORS. He succeeds **Mr David T. Ynung** who is retiring.

★

Mr Brian Jemes has been appointed deputy chairman and **Mr Michael Gibson** chief executive at KEYWEST FINANCIAL HOLDINGS, tbe bolding company for MAI's personal financial services division. Mr Gibson joins from the TSB Group.

★

PIERI (UNDERWRITING AGENCIES), a member of Lloyd's, has appointed **Mr Brian Thompson** as a director.

★

Mr Micbael Phair has been appointed a director of N.M. ROTHSCHILD & SONS. He was with the capital markets department of the International Finance Corporation in Washington. **Mr Christopher French** has been appointed heed of computers, information and communications services. He joins from Woolworths where he was an executive director.

★

Mr Nnrman Cnward, seoior agricultural manager, has been appointed MIDLAND BANK's head of agriculture, UK banking, from May 1 on the retirement of **Dr Robert Bruce**.

★

Mr Peter Kent has been appointed divisional director, business systems of THE NATIONAL HOME LOANS CORPORATION. He joined in April 1986 as controller business systems.

★

Mr A.N. Twine, who founded the GRI Group, has been succeeded by **Mr C.M. Swanson** as managing director of GRI ELECTRONICS. Mr Twine becomes vice chairman of GRI, remains managing director of GRI Electronics, and has become managing director of Craig Alford. Mr Swanson joined the company last year from IBM United Kingdom. **Mr Graham Millar**, a partner in London brokers Parrish, remains chairman of GRI Electronics, and each of its subsidiaries.

★

VISA INTERNATIONAL SERVICE ASSOCIATION's European operations centre in London has appointed **Mr Diderik Schonheyder** as head of the newly-created delivery systems development division. He has been with Visa since 1974. **Mr Bill Scarlett** has beenappointed head of the delivery systems operations division. He joins from IBM (United Kingdom). **Mr Robert Littas** becomes head of security. He joins from Interpol, Paris, where he was a sub-division head responsible for economic crime and counterfeiting.

BAe defence marketing organisation

BRITISH AEROSPACE has appointed **Mr M.J. Turner** bead of the new defence marketing organisation witb the title of executive vice president, defence marketing. **Mr C.D. West** has become head of new business development with the title of executive vice president, merketing planning. **Mr Brien G. Thnmas** has been made executive vice-president marketing operations and has worldwide responsibility for marketing and support of the full civil aircraft prodoct range.

★

Mr William H. Alexander, deputy managing director of GEC-Marconi, has become chairman of the INTERNATIONAL BUSINESS AVIATION COUNCIL.

★

Mr Jemes Palmer has been appointed regional director for INTERLIFE ASSURANCE COMPANY, which is setting up a head office in Belfast. He was a senior group manager with Allied Dunbar.

★

ROTORK, Bath, has made the following management changes. **Mr William Whiteley**, previously president of US actuator company, Rotork Controls Inc., becomes managing director of Protech Instruments and Systems, an instrumentation company. **Mr Robert Arnold**, previously engineering vice-president of Rotork Controls Inc., takes over as president. **Mr Roger Martin** replaces **Mr Richard Ludlam** as chief executive of Ludlam Sysco. He was managing director of Serck Glocon. Mr Ludlam, a founder of Ludlam Sysco, joins the parent company, Rotork, as group development manager for new products and systems.

★

Mr Ian Johnson has been appointed finance and planning director for BURTON GROUP financial services, replacing **Mr Geoff Almeida**. Mr Johnson joins from American Express where he was vice president and controller, travel related services.

★

Sir Colin Fielding has been appoioted chairman of AMES INDUSTRIAL, Fareham.

★

FUTURE SYSTEMS has appointed Helix Finencial Systems' former managing director **Mr Jonathan Worrall** as sales director following Helix' takeover by Marcol Group.

★

THE FOREIGN BANKS ASSOCIATION has appointed **Mr Ronald J. Meadows** as secretary following the retirement of **Mr Leonard A. Jackson**.

★

Mr Tnny Lambe has been appointed marketing director of THORSMAN & CO.

★

TBE LIFE ASSOCIATION OF SCOTLAND has promoted the following mansgers to senior regional msnagers: **Mr R.J. Buchan, Mr M.G. Cave** and **Mr D.J. Adamiak**.

★

HALMA bas appointed **Mr Charles Taylnr**, managing director of subsidisry Microphax, to its security and office technology divisional board.

★

Mr Jim Edwards has been appointed director of JCB SPECIAL PRODUCTS, Cheadle, an associate company of J.C. Bamford Excavators. He was general manager.

★

DENCORA has appointed **Mr Richard Child** as managing director of Dencora (Essex), and **Mrs Marlene Thompson** as property manager of Christchurch Management Services, two newly-formed subsidiaries.

★

Mr David Davidovitz, director of production and operations at TV-AM since August, has been appointed to the board.

★

ST MODWEN PEOPERTIES has appointed **Mr Colin Sbaw** a director of St Modwen Developmeots. He was northern regional manager.

★

Mr John Peyne has beeo appointed company secrctary of RANK XEROX in succession to **Mr Robert Reeve** who has retired.

Mr Roger Pinnington, chairman-elect of Blackwood Hodge

★

ROBSON RHODES has appointed **Mr James Harman** as a senior client service partner, based in Crawley.

★

Mr Paul Stephensnn has become sales and marketing director of WARD INTERIORS, a newly-formed subsidisry of the Ward Group. He will remain responsible for the Fenzi Geometrica promotion.

★

Mr Grahem Locke has been appointed managing director of SACHS AUTOMOTIVE COMPONENTS. He was sales director of Coopers A P Filters, a part of the Turner and Newall Group.

★

Mr Ken Gee, previously general manager of IMS, has been appointed managing director.

★

THE BRITISH INVESTMENT TRUST has appointed **Dr Paul Whitney** to the board.

Barclays global securities services

Mr Alex Tweedie and **Mr Jnlian Gibbs** hsve been appointed directors of BARCLAYS GLOBAL SECURITIES SERVICES which has been established to develop a strategy for global securities. Both were formerly corporate directors of Barclays London City region. Barclays says that in recent years an explosion of valuable paper has been held for customers or against settlement in the City of London institutions and also in banks worldwide. The creation of Barclays Global Securities Services brings together the securities handling services of the bank in the UK and will lead to s worldwide strategy, says the bank. Initially the service will be confined to existing clieots of the bank.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Woolwich prison equipment

MATTHEW HALL MECHANICAL & ELECTRICAL ENGINEERS has been awarded mechanical and electrical services contracts totalling around £30m. The largest, at £15.3m, is for building engineering services for a new local prison to be constructed at Woolwich, London SE18, and is scheduled for completion at the end of 1989.

The new prison will be able to accommodate up to 850 inmates and will also comprise educational and recreational facilities, a visitors building, a chapel, workshops, medical block, administration building and prison officers' housing. Matthew Hall will be responsible for the heating, hot and cold water, ventilstioo, plumbing and extensive electrical services throughout the prison.

At British Nuclear Fuels' Sellafield site, Matthew Hall has a further contract for electrical and instrumentation services for the medium active solid waste encapsulation plant project which will form part of the Magnox fuel reprocessing cycle. The services will comprise electrical and instrumentation installations in three new buildings, for process, services and product store, and assistance with plant commissioning. The contract is scheduled for completion at the end of 1989.

The third contract, scheduled for completion in early 1988, is for air conditioning, electrical, heating, plumbing and fire engineering services for the fitting out stage of the Sunlight Wharf, St Paul's Vista, London EC4, a project being developed by LEP Group for the Swiss Bank Corporation International.

Maintenance work for Drake & Scull

Contracts valued at £12m for building engineering services in the UK have been awarded to **DRAKE & SCULL ENGINEERING** (a Simon Engineering company). The Property Services Agency has awarded five measured term contracts, totalling £3.73m, for the maintenance of internal electrical installations. Contracts run for a three-year period and are to be carried out for the PSA district works offices located at Medway & Swals, Gosport, Frater, South Downs and Lee-on-Solent.

House refurbishment and modernisation work totalling £3.9lm is to be carried out in Scotland: for the East Kilbride Development Association at Calderwood; the City of Glasgow District Council at Southdean Co-operative, Drumchapel; and at Bearsden for the Bearsden & Milngavie District Council.

In the energy centre of Birmingham's nsw international convention centre, mechanical and electrical services are to be installed at a cost of £2.18m.

Other projects inclnde the refurbishment of the London headquarters of the Blue Arrow Employment Agency, costing £663,000; installation of electrical services totalliog £775,000 in office developments and education centres and plumbing work valued at £646,000 in London, Plymouth and Ebbw Vale.

Supplying flight deck crew seats

IPECO EUROPE, the flight crew seat manufacturer of the group's aerospace division, has won a contract with McDonnell Douglas to supply the flight deck crew seats for the new MD11 aircraft. The contract is expected to have a value of around US$9.5m (£5.4m).

The new seat types 101 and 115 have commenced the engineering stage and deliveries will start this December to meet the MD11 roll out and flight test programme. Marketing opportunities also exist for the new seat for the McDonnell Douglas DC10 Aircraft of which over 350 are in service.

Commenting on the contract, Ipeco aerospace division's managing director, Mr Ben Bettell, said "This contract demonstrates once again the market leadership shown by Ipeco in crew seat design, manufacture and marketing. Operators of DC10 aircraft have also begun to make enquiries about the new 101 seat, which we would expect to lead to significant additional orders."

Automatic test equipment for RAF

FERRANTI DEFENCE SYSTEMS has received a follow-on order for the supply of automatic test equipment to the Royal Air Force. The Ministry of Defence contract, worth around £3m, stems from an increased number of Tornado aircraft in service.

Additional sets of Ferranti FIST-'P' ground-based automatic test equipment are required to complement those systems currently in service at RAF Sealand. Deliveries are scheduled over the next 18 months.

Of flexible design the FIST (Ferranti Inertial Test System) range of automatic test equipment is readily adapted for comprehensive testing of a wide range of electronic equipment and systems. All FIST design and manufacture is carried out by the navigatioo systems department ATE Product Group, at the purpose-built factory located in Bellsbill, near Glasgow.

Copper mine machinery for Chile

KRUPP INDUSTRIETECHNIK, a subsidiary of Fried. Krupp, in consortium with Japan's Mitsubishi Corp has won a construction order worth £46.9m from Chile. The contract, awarded by Corporation Nacional des Cobre, involves building and delivering a plant by 1990 for the copper mine Chuquicamata in north Chile. The project is to be financed by a long-term international credit. Krupp Indnstrietechnik will cover the engineering and most of the construction work, and will recieve roughly half of the total value of the contract.

Mechanical services at Sizewell B

AMEC subsidiary **PRESS CONSTRUCTION** has secured its biggest-ever contract from the Central Electricity Generating Board - a £9m award for mechanical services at the Sizewell B power station.

The project involves the design, supply, installation and testing of steam, air, water and other services systems for the non-nuclear side of the power station. Press will fabricate and erect some 30 000 metres of carbon-steel and stainless-steel low-pressure pipework averaging three inches bore, together with its supporting steelwork. The company will also be responsible for specifying, procuring and installing all associated plant such as tanks, vessels, pnmps, and heat exchangers.

Design work has already started at Press's Darlingtoo offices for the four-year project. The work is due to start on site mid-1988. Skilled and semi-skilled operatives are likely to be required for the contract at peak spells for site operations, and Press anticipates some recruitment of drawing-office personnel for the company's Darlington headquarters.

Pumps for China's nuclear power

WEIR PUMPS and its newly-acquired operation, Mather and Platt Machinery, have won orders, worth about £4.3m, to supply pumps for the Guangdong PWR nuclear power station in China. It is the largest single contract awarded to Weir from the People's Republic.

Weir has previously supplied pumps for fossil-fuelled stations in China, but this is the first contract for a nuclear station there. The orders have been awarded by GEC Turbine Cenerators and the twin 985MWe plant at Daya Bay in Guangdong Province is planned to come into full operation by 1993.

The Weir Pumps plant at Glasgow will supply six tandem steam generator feed pumpsets, each rated at 10MW and comprising six booster pumps and six pressure stage pumps, all of barrel casing design. They will be driven by four GEC steam turbines and two GEC induction motors.

Mather and Platt Machinery at Manchester is to supply six condensate extraction pumps of the AEF, 500/900, three stage vertical caisson range, featuring doobie entry, first stage impellers. Each unit can deliver 7,360 imp galls/min with a generated head of 700ft. The pumps will be driveo at 1500rpm by 1660kW GEC electric motors.

Ministry orders ship defence decoys

CHEMRING GROUP's Salisbury-based pyrotechnics and ammunition subsidiary, Pains-Wessex, has won a contract worth between £2.5m and £3m from the Ministry of Defence, for the supply of ship defence decoys.

Chaff for the decoys is to be manufactured by Chemring in Portsmouth. The decoys will be operated from Royal Navy surface ships as part of NATO "Seagnat" a new-generation ship defence system designed to seduce anti-ship missiles, such as Exocet, away from a ship by the creation of a chaff decoy.

Seagnat will be the new NATO standard ship defence decoy system.

Mr Victor Prior, group chief executive, said: "A major strength of the Chemring Group in bidding for this order was its unique capability in Europe to both manufacture aluminium glass chaff while using its licensed site at Pains-Wessex for the assembly of the complete round."

The order will generate some 100 jobs, mainly in the Portsmouth area. Since winning this contract, Chemring has been successful in another international competitive tender for the same product for an overseas NATO couotry and has received an order worth £1.5m. These two orders, together with the contract from the Ministry of Defence for the development of infra-red round for Seagnat, takes the total orders received by the group for this system to £5m.

Gas turbines for North Sea platform

Another major oil company has selected Tornado gas turbines built by **RUSTON GAS TURBINES**, part of GEC, for offshore duty. BP Petroleum Development (Norway), through Kvaerner Engineering A/S of Norway, has ordered four gas turbine generating sets worth approximately £11.5m to provide the main source of power for the "Gyda" platform, 270 km south west of Stavanger in the Norwegian sector of the North Sea.

The "Gyda" field was discovered in 1980, and is operated by BP on behalf of the "Gyda" licensees: BP, Statoil, Conoco and Pelican. Prodnction should begin in 1990 and reach 60,000 barrels of oil per day and 38m cu ft of gas per day.

Each Tornado generator set, rated at a nominal 6MW, will incorporate a GEC Unipak generator, stainless steel acoustic enclosures, ducting and filtration systems, and a stainless steel, on-skid control house allowing the turbine to be connected to the control system during packaging to minimise offshore hook-up time.

Ruston is working closely with Frank Mohn A/S of Norway - a major offshore supplier in the Norwegian sector - and will be delivering base engines to the Mohn site at Flatoy, near Bergen, between October 1988 and January 1 1989 for full packaging and testing. Deliveries to the module yard in Stavanger are scheduled for spring and summer 1989.

Underwater telecommunications link-up

STC has received an order worth £10m for a spur on the underwater optical fibre telecommunication system PTAT-1 from the system co-owners Cable and Wireless in the UK and Private Transatlantic Telecommunications System Inc in the US. To be completed in November 1989, four months later than the main link, the spur will land at Courtmacsherry Bay, County Cork, and will join the main transatlantic link at a branching unit 100 km off the coast. The spur will comprise two fibre pairs and two repeaters, operating at 420 Mbits. One fibre pair will link the Republic of Ireland with the UK at Brean near Weston-Super-Mare, the other pair linking with the main system to the US and Bermuda.

Head office computer project

HONEYWELL BULL has received a £5m contract from Anglian Water for a DPS 90 to be installed at Anglian's Huntingdon headquarters. The decision to acquire additional computer hardware came with the board's stated intention to develop new billing and income systems. The DPS 90 computer, running the latest GCOS 8 software release SR3000, will provide the platform for Anglian Water's central computing into the late 90's.

Airbus design order

SAC TECHNOLOGY has won a design contract from British Aerospace for work on the wings of the new European A330 - A340 series airbus passsnger aircraft. The contract, worth £1.37m, is believed to be the single largest ever to have been secured by the company for design work and will run at least until the eod of 1989, occupying a peak of 31 engineers at SAC's Bournemouth offices.

SONSUB SERVICES has secured several long term contracts for this year. In Norway, Sonsub, through its sister company, Witsub, has been retained for Elf Aquitaine's yearly subsea structural cleaning and inspection programme. Sonsub has held this work for the past two years. In Brazil a three-year deepwater field intervention contract has been won. The £4.5m contract calls for one of Sonsub's advanced remote operated vehicle systems, "Challenger". A similar system will be used in Norway. Sonsub is based in Aberdeen.

FIRST PARTIAL REDEMPTION NOTICE

To the Holders of

General Foods Capital Corporation

12% Notes Due April 15, 1989

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the above-described Notes, General Foods Capital Corporation will redeem on April 15, 1988 through operation of the sinking fund $20,000,000 aggregate principal amount of Notes at the redemption price of 100% of the principal amount thereof.

On April 15, 1988, the Notes to be designated for redemption in the Second Partial Redemption Notice, which will be published and mailed to holders of registered Notes on or about March 14, 1988, will become due and payable at the aforementioned redemption price and will be paid, at the option of the holder, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt/Main, London and Paris and at the main offices of Swiss Bank Corporation in Basle and Kredietbank S.A. Luxembourgeoise in Luxembourg. Payment of bearer Notes will be made upon presentation and surrender thereof together with all coupons appertaining thereto maturing subsequent to the redemption date. Coupons due April 15, 1988 should be detached and collected in the usual manner. Payment of registered Notes, or the portions thereof selected for partial redemption, will be made upon presentation and surrender thereof at the corporate trust office of Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015, and at the main offices of Morgan Guaranty Trust Company of New York in Brussels and Swiss Bank Corporation in Basle. Interest due April 15, 1988 on registered Notes and the portions thereof selected for partial redemption will be paid to the persons in whose names such Notes are registered at the close of business on April 1, 1988.

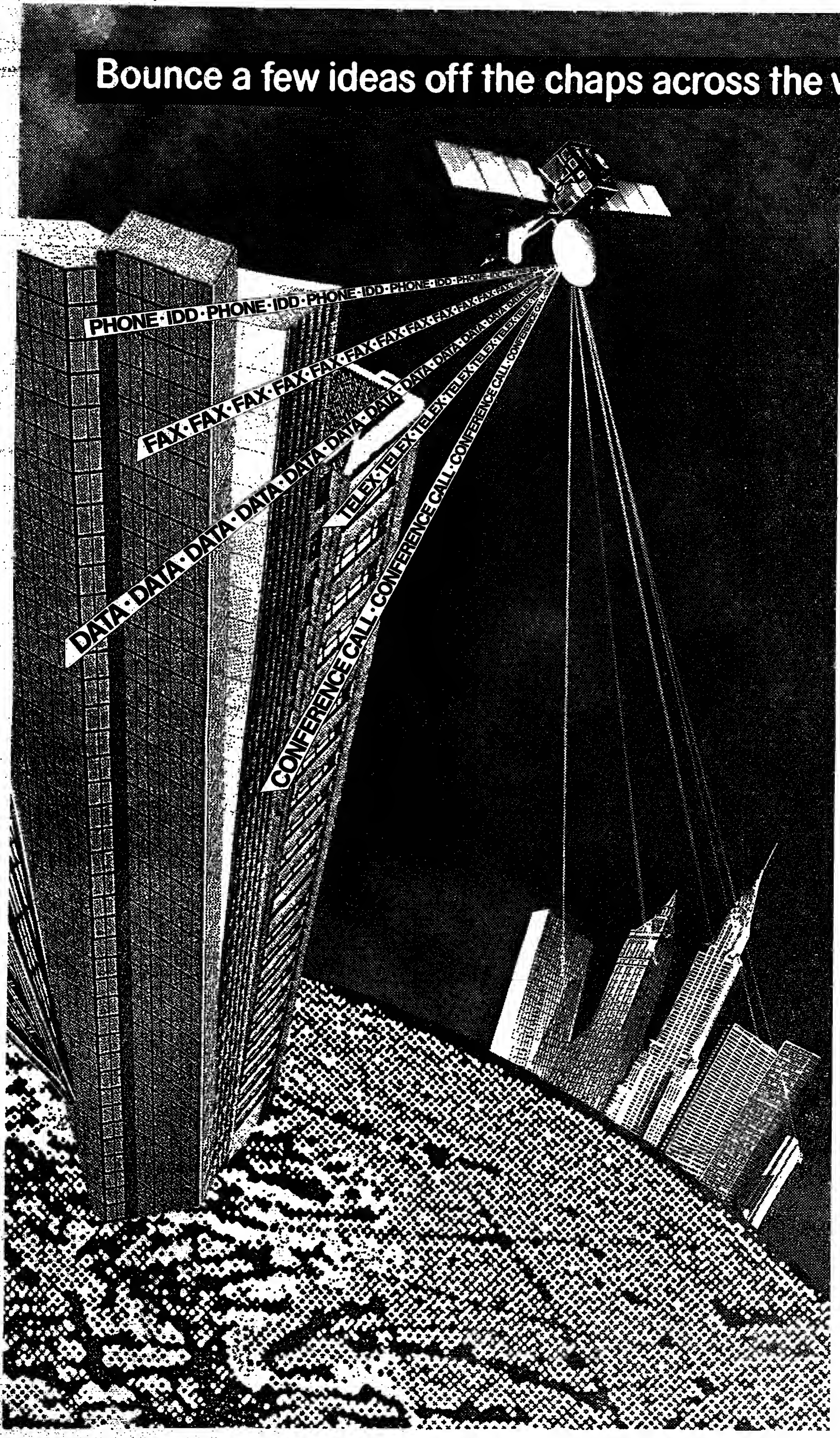
During the period from the close of business on February 16, 1988 until the close of business on the date of publication of the Second Partial Redemption Notice, bearer Notes may not be exchanged for registered Notes and registered Notes may not be transferred or exchanged for other registered Notes.

On and after April 15, 1988, interest shall cease to accrue on the Notes or portions thereof designated for redemption.

GENERAL FOODS CAPITAL CORPORATION
By: Morgan Guaranty Trust Company
of New York, Fiscal Agent

Dated: February 8, 1988

Bounce a few ideas off the chaps across the water.



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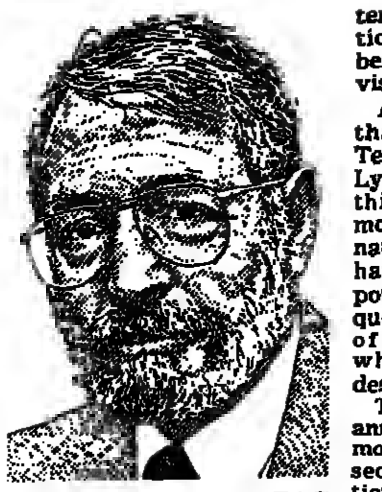


ANTHONY HARRIS
Austin, Texas

IT IS more than a month since it was announced that Sematech, a joint research project by the US computer chip industry, would be set up in Austin, the state capital of Texas. The facility will employ 800, hardly an economic turning point in a city now approaching three quarters of a million in population: but the news is still being celebrated on local television.

After a financial disaster that was gigantic even by Texan standards, the city of Lyndon Johnson needed something to celebrste. Only 18 months ago it was rated by a national business magazine as having the greatest dynamic potential in the US; its subsequent story has the elements of classical tragedy. Those whom the gods would destroy, they first drive mad.

The process started with an announcement very like this month's: Austin had been choseo, against national competition, as the site of another research facility, by MCC, which employs 400 people on futuristic software development. On the strength of this (and general euphoria about the Sunbelt), Austin was self-proclaimed as the US capital of the information revolution.

The 1981 Reagan budget, which provided an apparently risk-proof tax shelter for real estate development, made dreams easy to float. Local banks, desperate to diversify their loans out of the oil industry, did the rest. In the four years up to 1986, property developers pushed up housing prices to metropolitan levels. Before reality caught up, they had more than doubled the avsilable downtown office space and added about half to the city's hotel space – all at the luxury end of the market.

Texans seem to enjoy even catastrophe if the scale is big enough. With something like pride, they point out the biggest mistakes from the penthouses of their half-vacant office towers. Lists of foreclosures are handed round at dinner. Many of the towers and nearly all the new hotels (which are owned locally and merely operated by the national chains) have now fallen back into the inexpert hands of the banks which financed them.

"We fell for our own hype," they now concede – or rather proclaim. Austin is, above all, determined to show that it has learned from its experience. In the same spirit, they estimate that it will take at least five years, and possibly a decade, to work off the excess commercial property and that few, if any, of the banks involved will survive as independent units.

Some will not survive at all, for the crash has not yet reached bottom. Foreclosures are still rising and were running at two a day in the last monthly record. The owner-banks, desperate for income, are trying to bribe tenants away from the more successful developments and could undermine those too.

Yet, if this was madness, it must also be said that the gods have been pretty kind to Austin. It is situated in a bend of the Colorado River, dammed into a 100-mile chain of lakes, between gentle, partly wooded hills. It has been lovingly planned, developed and protected – Austin started protecting its environment against upstream polluters as early as 1880.

As home to the state's government and biggest university, it has the amenities to be expected in a major university town (with nearly 50,000 students). It is a research centre and there are many spin-offs among its 700 industrial companies. Its population is young, its schoolchildren outperform those of any comparably large (or larger) city in the US; and when they grow up, most of them are determined to make their lives in Austin.

These blessings help to explain some of the city's paradoxes. The financial crash is dire, but the economy has only wobbled. Indeed, apart from construction, growth has gone on almost throughout. Employment, which fell last year, has started to recover. Incomes and spending are up – though, of course, not fast enough to sustain turnover in the overgrown shops and entertainment facilities. Electronics, which had its own slump, has recovered strongly. The universities (there are several smaller schools apart from the University of Texas) and the state government are the biggest employers.

Meanwhile, the combination of high intelligence, low taxes, watersports and hunting work their own miracles. Austin, unlike other "branch economies", has lost hardly any of the newer enterprises; several times the headquarters has followed a minor branch to the capital. Start-ups, which earned Austin its high rating for dynamism, continue, and continue to grow.

One striking example is Bookstop, a chain of book supermarkets launched in Austin by Gary Hoover, a young Mid-Western merchant. He selected the city, after years of research and planning, as offering the ideal combination of educated market and labour force. The chain has just achieved its first profit after five years of hair-raising growth, and has promptly been offered a tripled line of credit by an Austin bank desperate for sound outlets.

The question is, though, whether any start-up launched now, with no track record, could get support from the shell-shocked banks. The business community is relatively small, and those known to its leadership circle – the faculty of the university, old LBJ Democrats such as Ed Clarke, former Ambassador to Australia, the heads of old-established Austin enterprises such as the Scarborough store chain, or mature start-ups such as Tracor, one of the biggest electronics groups – are probably safe. But for a resumption of real growth, the city must look outside for venture capital and some development finance.

It has some formidable boosters. Mr Hans Mark, head of the state university system, and a former Secretary of the Air Force, will neglect his normal duties with the same enthusiasm as Mr Pike Powers, an Austin lawyer, in the cause of Austin development. It is not all teamwork and good humour, however. Mr Mark campaigns just as strongly for a big expansion of university funding and has got enough business support to make the Governor, Bill Clements, a low-tax Republican, spikily defensive.

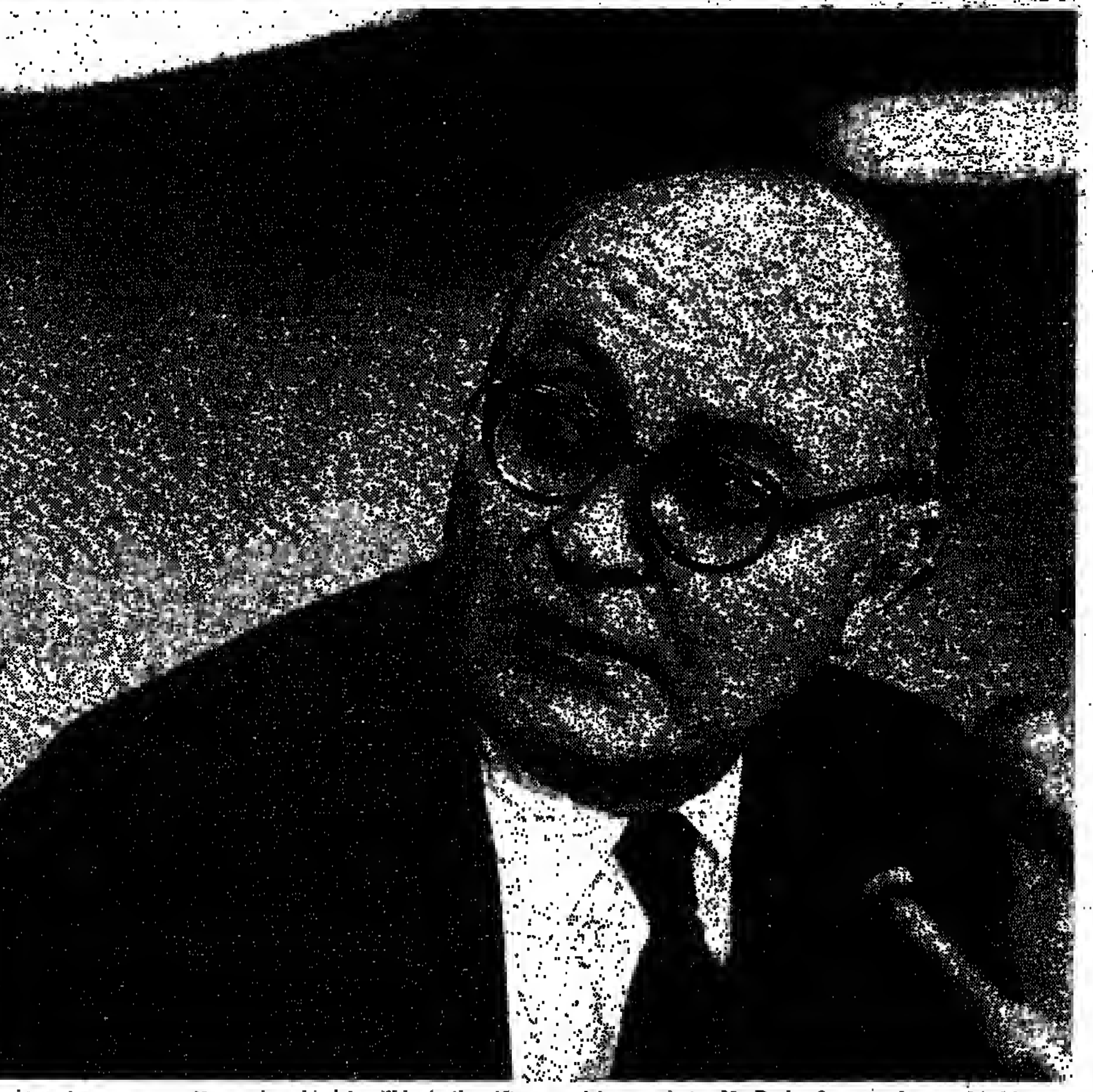
Will Austin still be attractive if it takes higher taxes to maintain the faculty? Does Austin over-protect the environment and hamper business, or is this the source of its quality of life? These questions will probably never be resolved, but they seem to have become a good deal less bitter recently. There is a long way to climb back and the good news about Sematech was desperately needed.

There is no danger that the hype will provoke any foolishness this time. That the city allowed its dreams to outrun reality is all too concretely visible. The native intelligence is still there, and the rents are low now.

INTERVIEW

Baptised by fire

Richard Lambert talks to David Ruder, Chairman of the SEC



HOW CLOSE did the US financial markets come to a systemic failure during last October's stock market crash? Mr David Ruder, Chairman of the Securities and Exchange Commission, the man with ultimate responsibility for supervising the US securities industry, takes a long breath. "It was close," he concedes – and then, with the experience of one who has been burnt by press comment before, he qualifies his position. "The thing we were close to was shutting the stock exchange. I don't know whether that would have been a systemic failure: it may only have been an opportunity to pause and catch our breath."

For Mr Ruder, the October market crash was a baptism of fire. Plucked from an academic background, and with no direct experience of the financial markets, he was appointed in August and had scarcely moved on to first name terms with the other key authorities when the bottom fell out of the stock market.

His public comment on the crash that Monday morning sent a tremor around the world. Besieged by reporters, and not fully briefed on the grsvity of the position, he raised the possibility that the stock exchange might temporarily be closed. The effect of this remark was dramatic. In the words of one seasoned trader on the floor of the New York Stock Exchange: "It was like someone standing up in a crowded theatre and shouting 'there's a fire, and we might be closing the exits!'"

Today, Mr Ruder regrets the remark, which he puts down partly to his inexperience in handling the press. "I should have been more alert to the fact that my words could be misinterpreted in a time of panic," he concedes. The experience has made him almost painfully careful in answering delicate questions about the stock market, leading him into dense thickets of qualifications and caveats. Thus he told a press conference last week: "The Commission as a whole believes that the markets are sound. There are systemic problems in the market that need to be addressed. But by and large the Commission is confident that the markets are healthy and that given the circumstances of present market levels and the absence of dreadful economic news, we are confident for the time being that the market is going to be in a position to survive some intermediate stress." So that is all right.

Mr Ruder's top priority in the wake of the crash – "the single most important thing" – is to make sure that the various exchanges do whatever is necessary to overcome the failings in their automated systems which played such a big part in last October's panic. He is also pressing for a series of measures to boost the capital of the various marketmakers, to improve the flow of information and to co-ordinate clearing, credit and settlements systems.

Altogether, he believes that 90 per cent of the recommendations which flow from the SEC's vast study on the crash ("it weighs 5 lb 9½ oz," he reports gleefully) can be achieved without legislation. Inevitably, though, it is the other 10 per cent that catches the attention. This is the part that could bring the SEC to a hesd-on conflict for power with its long-time rival, the Commodity Futures Trading Commission.

At this point, things get a little complicated. Mr Ruder makes no secret of his view that there are serious flsws in the present accord between the SEC and the CFTC over the regulation of futures and options tied to equities, and that it would be logical for the two agencies to merge. He has further irritated the free market apostles of the Chicago futures markets by asking for legislation to give the SEC direct regulatory authority over all equity type products in the futures as well as the cash markets.

Yet he is also enough of a realist to know that the chances of getting such legislative approval are slim and he does not at all give the impression of a man interested in power for its own sake.

So what is he up to? Mr Ruder does not answer this question directly. But nor does he quarrel with the suggestion that although the SEC does not have a great deal of hope that it will become the top dog regulator, it would welcome a blunt instrument to take into what are likely to be tough negotiations about the structure of the futures industry. The spectre of legislation hovering in the background might help concentrate attention on a voluntary approach to the agreements that are needed to reduce the risks of another Black Monday.

The one major piece of legislation which is definitely on the stocks at the moment concerns the reform of the Glass-Steagall Act, which has kept the commercial banks out of investment banking businesses for more than fifty years. The SEC is nearing the end of negotiations aimed at getting the sort of wording it would like into the legislation, and Mr Ruder is hopeful that there will be reforms in the near future. He argues thst the banks are already active in securities type business anyway and that this should be subject to SEC regulation.

Two essential safeguards will be required: the bsnks will have to run their securities activities in separately capitalised affiliates which will be under the direct supervision of the SEC and steps will hava to be taken to minimise potential conflicts of interest.

What about insider dealing? Until recently, it has been impossible to talk for more than five minutes to anyone at the SEC without hearing how the wrong doers on Wall Street are going to be put through the shredder. But Mr Ruder has a rather different vision. Enforcement is important, yes, but there are higher priorities than tender offers and insider trading.

Until last aummer, Mr Ruder had spent most of his working life on the faculty of Northwestern University Law School. His academic background – often mentioned in conversation – helps to explain his approach to running the SEC. Unlike Mr Rudolph Giuliani, the US Attorney for Manhattan who was President Reagan's first choice for the job, Mr Ruder is not a tough cop.

Nor does he have anything in common with Mr Joseph Kennedy, the ruthless msrket operator who President Roosevelt appointed to be the first SEC chsirman in a classic poscher turned gamekeeper move. Instead, his skills are those of an administrator and an intellect.

He may only have a short time to demonstrste them, since his job will be in the gift of the new President. So he has set two paths of development down which he hopes to get tbe SEC moving in the coming months. On the domestic front, he believes that the confidence of private investors in the securities markets has been damaged by the market crash and that this poses a serious threat to the workings of the system. A couple of months ago, he gave a group of retail brokers some sharp words on the need to improve their professional standards, tighten their in-house supervision and keep out sharp salesmen - quite a task since the number of registered securities representatives in the US has doubled to around 400,000 in the space of six years.

A second big theme of his term of office is likely to be the regulation of international securities markets. Mr Ruder's view is that initiatives to cope with equity investment across frontiers are needed now and that they must cover both market structures and trading mechanisms. The measures which he would like to see established on an international basis include minimum standards of disclosure, auditing and accounting; efficient clearance and settlement systems; mutual assistance in the pursuit of wrongdoing; and agreed programmes to oversee the financial integrity of multinstionsl firms. He hopes to work out more bilateral agreements with foreign countries in the coming yesr, along the lines of those already established with the UK, Japan and Switzerland.

Although Mr Ruder, 58, appears nothing like the slightly dazed scademic described by unkind critics a few months ago, his high-profile job must seem a long wsy from a life spent teaching law, expanding the faculty, and editing books with names like The Proceedings of the Corporate Counsel Institute (1962-66).

Under the television lights last week in Washington before the Senate banking committee and the press, he occasionally faltered over his words or stifled a look of polite amazement at some of the less well-aimed questions. But he claims that his background as a teacher has turned out to be ideal training for the present job. "We teach our law classes in a quite confrontational way: it's all give and take. Some of the students can be quite ruda," he says. And he adds, with the apologetic smile of one telling an oft-repeated joke: "But I am Ruder."

• PERSONAL FILE

1929 Born May 25, Wausau, Wisconsin. Educated Williams College
1957 Law degree, University of Wisconsin. Joins Milwaukee Law firm of Quarles & Brady
1961 Joins faculty of Northwestern University School of Law
1977 Dean of the School of Law until 1985
1987 23rd Chairman of the Securities and Exchange Commission

Pressure for the right to reply

JUSTINIAN

AN INDIVIDUAL'S right of reply to correct inaccurate or offensive statements in newspapers is attracting more and more public support. Legislators and courts are beginning increasingly to contemplate invoking their law-making powers.

Although the European Convention on Human Rights provides that the right of freedom of expression may be subject to restrictions for the protection of the reputation or rights of others, that so far has not been interpreted as encompassing a right of reply. But an Article in the American Convention on Human Rights specifically confers on anyone injured by inaccurate statements or ideas disseminated by an established organ of the media the right to reply or to make a correction using the same communications outlet.

Eighteen months ago the Inter-American Court of Human Rights, at the request of the Government of Costa Rica, handed down an advisory opinion that puts flesh on the bare bones of the Article. The court interpreted the Article as calling upon the American States that do not already ensure the full and free exercise of the right to reply or correction to bring about that result by legal measures regulating the exercise of the right, failing which they will be held in breach of the convention. The Article itself does not indicate, for example, whether the beneficiaries of the right are entitled to an equal or greater amount of space; or when the reply, once received, must be published, and in what form.

In Singapore the Government is currently seeking to claim for itself such a right of reply in its legal fight with the Asian Wall Street Journal. Whether such a right exists, and whether it can be accommodated within a constitutionally guaranteed right of free speech will be determined by the Singapore courts. Other countries are watching keenly the outcome of this tussle. Some of them are already taking steps through their legislatures to take further official ripostes to newspaper reporting by passing laws that give Ministers wide powers to ban at least the foreign press. The Asian Wall Street Journal and its sister periodical the Far East Economic Review are the latest Singaporean victims.

Even if the principle of such a right of reply were conceded, the problem is to frame its limits. It is one thing for the individual citizen to seek redress for unfair criticism or misrepresentation of his words or actions. It is altogether another matter for governments to possess the right to insist on their version of events being published in the newspapers.

If all the potential complainers desire is s swift correction of factual misstatements, the right might be unobjectionable. In practice newspapers generally do publish promptly corrections to the factual errors that appear in their columns. A law would merely confirm good practice. This is the system in West Germany, where it appears to work well. Initial fears that newspapers would be inundated with demands for corrections has proved to be unfounded.

Even if there would be practical difficulties in framing the scope of the right of reply, there is no reason why the West German experience could not be replicated here. The right provides a prompt remedy. It also acts as a sanction and actually promotes greater care in checking sources of information; it also enhances accurate reporting. Confined to strictly factual matters, the right might assuage some of the anger directed at the contemporary press. But if it is extended to ideas or to comments or opinion, the enforcement of the right would be intolerable.

The Royal Commission on the Press in 1977 however rejected the whole idea of a legal right of reply on the grounds of principle. It stoutly proclaimed that the press should not be subjected to a special regime of law, and it should neither possess privileges nor labour under special disadvantages compared with the ordinary citizen. It preferred self-regulation.

While newspapers should ordinarily make available editorial space to accommodate the replies of those criticised inaccurately so that the record is forthwith set straight, the Royal Commission recommended that the Press Council should extend its doctrine of the right to reply and uphold it as a remedy. The Press Council should, it was recommended, actively involve itself in obtaining publication of counter statements by persons who could show that they had been unfairly criticised.

In the ten years since the Royal Commission reported insufficient progress has been made within press circles so as to head off legislative attempts, such as Mrs Ann Clwyd's wide-ranging Unfair Reporting and Right to Reply Bill. The fact that the bill did not manage to get a hearing, let alone a second reading in Parliament last Friday provides an unyielding press with only a breathing space.

Oslo Philharmonic/Barbican

Andrew Clements

The return of the Oslo Philharmonic Orchestra and Mariss Jansons to London at the start of an extensive British tour so soon after its Proms visit last year can only be thoroughly welcomed. It shouldn't, but it still comes as something of a surprise to be reminded of the outstanding quality of this orchestra and conductor. Hearing the Oslo Philharmonic launch into its programme at the Barbican on Friday was immensely exhilarating, and encouraged the most exalted comparisons. The orchestra does not possess the unmistakeable character of, say, the Vienna or Berlin Philharmonics or the Concertgebouw, nor the superhuman, high-gloss expertise of the Chicago Symphony, but those exceptions apart, it is hard to think of another orchestra whose current form can be compared with theirs; certainly among British residents only the Birmingham Symphony at its very best approaches this kind of responsiveness.

The Oslo began with a Norwegian calling card, Egil Hovland's Fanfare and Chorale, which may be pale ceremonial Shostakovich in idiom, but in performance makes a splendid display-case for any orchestra's tonal resources, and the splendour of its brass especially. Beethoven's Second Symphony then offered a different kind of test, and one for both conductor and orchestra which placed a new perspective on their accomplishment. Jansons has hitherto been heard in concerts and on record largely in late 19th century repertory; his Beethoven proved to be informed by that romantic background in its physical excitement – the first movement uncompromisingly dramatic, the finale drawn as taut as a bowstring – and in the splendour of its climaxes.

Mahler's First Symphony returned the partnership to more familiar territory, in which Jansons' unerring sense of musical architecture placed at the service of dramatic, almost theatrical vividness was again exploited. The introduction was deeply mysterious, drawn out with immense precision; the grandeur of the symphony's peaks was never forced. Again the Oslo's resources proved more than adequate, suggesting that this partnership would be worth hearing in any of the Mahler canon.

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The Philharmonia Orchestra ended last year at a low ebb; its final South Bank concerts, under Giulini, suggested an orchestra that had lost much of its collective spirit and discipline. When it appeared on Saturday under Neville Marriner in a Festival Hall concert sponsored by the Financial Times, an altogether healthier attitude seemed to be abroad. There are still shortcomings to be rectified – the string tone is undernourished, the balancing of strands is not always equitable – but ensemble has been restored to par, and the excellence of the Philharmonia's wind principals, always one of the orchestra's strengths, has reasserted itself.

Marriner's programme was straightforward enough – overture (Verdi's *Les Vepres Siciliennes*), a concerto (Brahms's for violin) and symphony (Dvorak's Eighth) – and it was delivered generally with plain effectiveness. The concerto soloist was Dmitry Sitkovetsky, who alternated fierce, exaggeratedly precise chording with elongated, somewhat steely lyricism. His playing is founded upon a firm technique, one perhaps too rigidly imposed, for the interpretative points and emphases seemed inflexibly schooled and lacking almost completely in spontaneity. The outer movements survived rather better than the Andante, in which the limitations of his lyrical instinct were consistently exposed.

Marriner accompanied with appropriate brusqueness, martially clipping the rhythms, and he carried over his forcefulness to the Dvorak symphony. This was, however, a sustained and successful account – more insistent than conventionally upon the minor-key elements of the work; while not able to transform it entirely into a tragic document, he did nevertheless cast several new perspectives upon its sometimes unremittingly genial character.

NCOS Symphony Orchestra

Paul Driver

Elliott Carter's *Concerto for Orchestra* is not a piece of pie, but the Symphony Orchestra of the National Centre for Orchestral Studies had by no means, as it proved, bitten off more than it could chew, when it chose to end its concert at St John's, Smith Square with the work on Wednesday. Nicholas Cleobury conducted an account of this prodigious virtuoso orchestral showpiece which not only connected up part to whole at every point and conveyed a sense of the work's terrific overall sweep, but palpably communicated the music's rich quotient of purely sensuous beauty too. The large structure cohered – a difficult enough achievement – while the individual notes all sounded right.

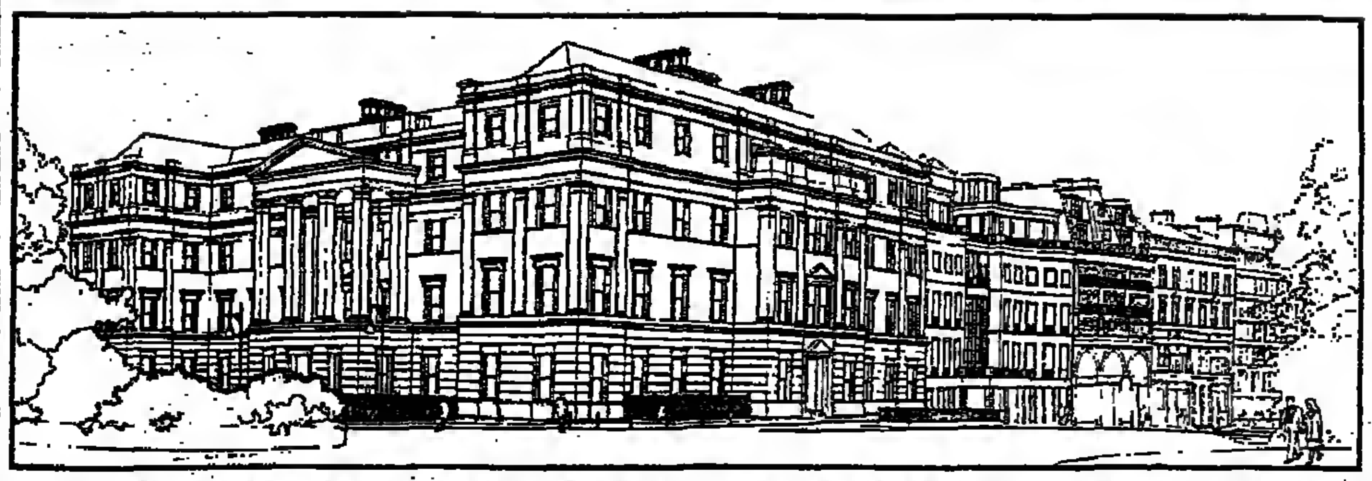
The concert was promoted by the Royal Over-Seas League and featured two prize-winners from its various music competitions. The soprano Susan Chilcott, who was a gold medallist in 1986, gave a forceful rendering of the solo part of one of Samuel Barber's most successful and attractive scores, the scena entitled *Knoxville: Summer of 1915.*

If one felt that she was a mite too forceful, too hard of timbre, one had to concede that even so she could barely hold her own against the orchestra in an acoustic entirely prejudiced in favour of the latter. But her top notes – and the piece is a vehicle for such things – were truly and vibrantly struck, and the general impression she made was fine.

Jane Atkins, who was joint winner of the League's first Bernard Shore Memorial Scholarship for a Viola Player, made a still stronger impression with her performance in a rare viola concerto composed by Bax in 1920 for Lionel Tertis, and actually called *Phantasy* for viola and orchestra. It came over as a piece with rather more than routine interest, and Ms Atkins's extremely incisive playing and her shapely sound splendidly renewed the case for the viola as a solo instrument.

The concert had supplied an earlier dose of modality and Englishry in the form of Delius's interesting rhapsody, *Brigg Fair*, not so often heard these days; and a new (ten minute) piece by the orchestra's resident composer, Keith Gifford, seemed to promise with its title *Mountain Shadows* and its programme-note adverting to landscape and the seasons, yet more of the same.

However, the music turned out to be neither impressionistic nor, in spite of what the composer stressed in his note, noticeably intimate. Indeed, it was frequently acerbic and strident – characteristics that were not mitigated by the jerky, discontinuous mode of discourse which prevailed. But the work was not without its memorable flashes of hard brittle colour, its moments of fluorescence produced *à la* Penderecki by the violins bowing on their bridges: it had a definite spectrometric appeal.



View of St George's Hospital showing the added Victorian floor which has ruined the effect of Wilkins' design since 1859: will the chance be seized to return a neo-classical monument to its original design?

Architecture/Colin Amery

Tales from the Heritage

It is hard to imagine anyone in a civilised country agreeing to tow an object up the Thames that is longer and wider than Westminster Abbey, and then moor it for perpetuity alongside Westminster Bridge. You would think that the nation's sense of its own history and its love of beautiful and famous views would prompt the powers that be to think twice before they lose forever that vista loved by Turner and Monet.

It is the new pier at Westminster that concerns me so much – a proposal that has almost received full planning consent from Westminster City Council and is the subject of a last minute but vital campaign by the doughty Chairman of English Heritage, Lord Montagu of Beaulieu. Lord Montagu has a difficult job and he must be gratified that last week the House of Commons Services Committee finally saw the point of English Heritage's campaign to draw attention to the monster that is about to lurk at the foot of Big Ben and ruin one of the capital's finest views. The Commons intend to object very strongly to this hideous commercial intrusion.

It is a long and tedious saga, the tale of Westminster Pier. In summary after several efforts to find a design for a new pier for the tourist boats Westminster council wants to allow the erection of a pier some 530 feet long and 130 feet wide which will be some 30 feet above the water level. This ghastly object has some 30,000 square feet of undefined space that can be let commercially. So it is much more that a pier, and if built would no doubt be occupied by hamburger joints, souvenir shops and more than likely an audio visual about the heritage of London. To allow access to this grim erection Sir Joseph Bazalgette's noble embankment wall will be saddled with walkways and eight holes pierced in it to take "services."

Under the present rules an inquiry was not allowed to do more than concentrate on the actual physical effect this giant object would have on the listed Embankment. It is mad that the effects on views of the Palace of Westminster and on the Thames itself were not considered. All power to the excellent Lord Montagu. He has had to drag his fellow peers to the edge of the terrace of Parliament to force them to see how damaging this upstart pier will be if it goes ahead.

*

Last week the same local authority planning committee at Westminster approved a scheme for the conversion of St George's Hospital into a hotel with a large office development on Knightsbridge, which will mean the demolition of 1-9 Knightsbridge – a mixed bag of listed town houses.

This has been another lengthy saga and it is not over yet. Now is not the time to go into the history of the difficulties of this site, which has been vacant for almost ten years. As a member of the London Advisory Committee of English Heritage I will have a minuscule part in the interesting discussions about the future of this important Listed Grade II building by that major architect William Wilkins (1778-1839). However there are important principles here that have an application to many important historic sites in our city centres. Assuming that English Heritage are happy (or relatively happy) to say goodbye to the listed houses on Knightsbridge and have them replaced by Mr Kevin Dash's (of the Fitzroy Robinson Partnership) design for new offices, then what is the quid pro quo from the developers in relation to the Wilkins' building?

The developers Imry International plan to make the former hospital into a hotel, for which it is a wonderful site. There are some noble neo-classical public areas but the wards can be well converted into rooms and suites. What needs to be stressed and debated publicly now is the way the exterior of St.George's should be treated.

The hospital as we see it from Hyde Park Corner today is substantially altered by the additional floor put on by an unknown architect A.P.Mee in the 1850s. Further extensions were made in the form of ablution wings in the 1860s when Mee's extra floor appears to have been extended to run, disastrously from a compositional point of view, behind and above the main portico.

The original William Wilkins design was a clear and beautiful version of one of his favourite source buildings – the Choragic Monument of Thrasyllus, on the Acropolis in Athens. Wilkins is of European stature when it comes to the Greek Revival, and although St. George's when it was built was an economical building, it was a handsome and important neighbour to Apsley House and the classical enclave around Hyde Park Corner. Wilkins's buildings have not fared well. His great house The Grange in Hampshire is now a ruin – preserved, but still a ruin. The roofline of the National Gallery has been marred by a newish visible mansard. The restoration of St.George's is a key opportunity for a scholarly and accurate rebuilding of a major neo-classical monument.

The developers at the moment are suggesting the addition of another attic floor, putting the economic viability of the hotel before accuracy of restoration. It would seem more reasonable to put some of the hotel rooms on the office part of the site, allowing a perfect restoration of the skyline of St.George's with its strong Greek classical qualities, including the major corners with their almost pylon-like compositional power. Then the strong central main portico would read magnificently, soaring out above and beyond the main roof – as it should.

There is currently an exhibition at the RIBA in London of the restoration work carried out in East Germany since the war. In that country major buildings are most perfectly restored. Only in compromising England would anyone dream of carrying out the subtle butchery that so often passes for conservation.

The developers here are willing and able to do the most splendid job at St George's. The officials at English Heritage are well qualified to help make this a model scheme. Why compromise now? The exchange for the lost Knightsbridge houses should be a rearrangement of accommodation on the site to allow for a perfect restoration of the exterior and main public spaces of the interior of the Wilkins building. We are talking here of a major building on a very important site in the capital of a prosperous nation. What a glorious opportunity to avoid another messy compromise.

Cosi fan tutte/Glasgow

Max Loppert

Richard Jones's new production of *Cosi fan tutte* for Scottish Opera, first seen at the Theatre Royal, Glasgow this weekend, is keenly imagined, intelligent and original. The general trend of recent British stagings of this opera has been to underplay the ornate symmetries and finely wrought artifices of its working, in favour of drawing out with naturalistic intensity the growing pains and passions of its emotional entanglements.

This one is different. The set (another characteristically cool, witty piece of design by Mr Jones's regular partner, Nigel Lowery) invents a stage-within-a-stage on which Da Ponte's play can be unfolded with high theatricality. Out of a combination of 18th century elegance and 20th century cynicism the production devises, indeed, its own stage manners, its own brand of Mozartian theatrical vision: the letters of the word NAPOLI lining the right side of the stage front, and the footlights flashing on to underscore the chosen style, are just two examples of its curious and very definite individuality.

Perspectives are intentionally out of true, drop curtains and house facades fleetly rise and fall, and Vesuvius (which is indeed mentioned in the text) stands comically large in the sisters' back yard, apt to glow red and hot at key moments of emotional pressure. There are a bounty of visual jokes, little whimsical, anachronistic flashes of humour of the kind that admirers of the Jones *Rake's Progress* for Opera 80 will particularly relish. At times, one fears that the point of overdoing things has been passed, and that self-made difficulties have been created (by, for instance, the banishing of the chorus to the pit).

Yet the line of the production's own dramatic logic stays firm, for it is governed and disciplined by a powerful sense of the key musical and dramatic issues in question in this mysterious, monstrously complicated, serenely disconcerting masterpiece. Unfashionably but accurately, for instance, the producer has heard Mozart's outburst of woodwind laughter in the opera's final ensemble. The broken vows, bruised feelings, and fragile reconciliations have all been sharply exposed (with Guglielmo hitting the bottle while Fiordiligi pleads for his forgiveness). Then suddenly a shift of lights, manners and theatrical perspectives changes the mood to that of amused, relaxed final reflection – a marvellous shake of the Mozartean kaleidoscope, and a moment of genuine *Cosi* richness.

The potential of this production was, however, not fully delved on Saturday, because the casting seemed uneven, and the conducting of Graeme Jenkins insufficiently sharp in outline. For Glyndebourne Touring Opera last autumn, Mr Jenkins conducted with distinction Peter Hall's classically composed *Cosi*; but for this performance something different was wanted, and not forthcoming. Scene followed scene at too equable and steady a gait and pace. The playing of the Scottish Opera Orchestra was plain and often untidy.

The sisters – Marie Slorach a small, chubby, serious elder and Clare Shearer a bubbly, rangy, volatile younger – are not ideally paired. Miss Slorach's protean vocal technique and radiant musicality triumphed in spite of moments when the tone went hard or edgy; Miss Shearer, young and greatly promising, lacked suppleness and sophistication in shaping her music. Maldwyn Davies (Ferrando), a livelier actor than usual, was plainly not in good health (though no announcement was made). Steven Page's Guglielmo is both trenchant and romantic (he manages the wounded close with pointed yet glancing suggestiveness) and very well sung.

There is a strong Don Alfonso in Andrew Shore, and an absolutely sizzling Despina – tough, mature, splendidly deft in recitative – in Elizabeth Gale, who makes more of the Martins' translation than anyone else. Most of all the cast, she has discerned and responded to the peculiar thrust of *Mr* Jones's direction. His is not by any means a "perfect" *Cosi*, but it adds something new and distinctive to our understanding of the opera. That's quite an achievement.

Suite in Two Keys/Palace

Michael Coveney

This double-bill of Noël Coward plays, enterprisingly revived at the Watford Palace, belongs to the 1966 trilogy, *Suite in Three Keys*, with which the playwright took formal professional leave of the London stage.

Coward appeared in all three, supported by Lilli Palmer and Irene Worth. I remember him especially as the novelist, Hugo Latymer, in the full-length play *Song at Twilight*, a study in moral and amorous exposition with traces of Max Beerbohm and Somerset Maugham. At the time, it was received with more politeness than rapture, as were the shorter plays. Coward's aim was to write a star vehicle for himself, and he padded venerably around the stage like a heavily sedated Chinese emperor, flicking out his own lines with bilious hastiness.

In fact, these plays are not brittle and smart like the ones we know best. The style is more even, more regretful, imbued with premonitions of death and recapitulations of lost life. And love. They are beautifully constructed and written without a hint of sententiousness. The glacial candour is almost disconcerting.

At Watford we have *Shadows of the Evening* in which the publisher George Hilgay, with about nine months to live, anticipates the void in the company of his wife and his mistress; and *Come into the Garden Maud* in which a Minneapolis business tycoon, Verner Conklin, abandons his grotesquely vulgar wife for an exotic Sicilian princess.

The especial merit of Matthew Francis's productions is their avoidance of any imitative Cowardian sheen. The director's reverse namesake, Francis Matthews, plays George Hilgay with a dapper, uncomplicated charm, and Verner Conklin with a brazen gustiness. Both pieces are underpinned with a sense of sexual need, and Mr Matthews deals frankly and refreshingly with this aspect of the writing.

In *Shadows* the trio will depart for an evening of gambling across the lake in Evian. But first, George is gripped by a spasm of fear, and his speech of rise-above-it chill cheeriness bristles with the authentic anxiety of the closing pages of Coward's *Diaries*. The elegance of expression is well maintained by Caroline Blakiston as the returning wife and Isla Blair as the newly pensive mistress. The shifting, restless patterns of devotion are described with steely precision and the right sort of Cowardian hauteur.

Martin Sutherland's cool grey hotel suite has some smart long mirrors and room-high white gauze drapes that are ruffled by the breeze off the lake. In the second play, the sun shines strongly though and a spirit of glumly impending festivity is suggested by a canopy and blue bulbs.

Miss Blakiston lets rip as Anna-Mary Conklin, preparing for her snob party in a wild floral pink housecoat and carrying on like a parody of Dame Edna Everage. In comparison, Miss Blair is understandably subdued as the princess. You only wonder why it's taken Verner so long to chuck in the wife and give himself that long overdue ride on a dolphin's back.

Coward set his plays in "the present" but this does not justify some clumsy textual tampering: a war-time encounter between the two ladies in the Suez Canal is re-written as an unlikely fracas on the Thames at Wallingford in 1965. More acceptably, George Hilgay is now reading John Le Carré, not Ian Fleming, in the clinic. But the old rascally master must be tut-tutting like mad in his grave at Mr Matthews' awful interpolated fiscal pun on "domani" when he tips the Italian waiter.

London Sinfonietta

Max Loppert

After all the rigours of full-dress birthday-celebration concerts of recent weeks, the London Sinfonietta under David Atherton chose to shed its brass and woodwind forces for Thursday's Elizabeth Hall concert of Britten, Bartok, and Shostakovich. It was a chance for the orchestra's strings to demonstrate just how completely they can take hold of music written to show them off – in terms of buoyant, vigorous execution, of playing that really got its teeth into the notes, this "conservative" Sinfonietta concert need fear no unflattering comparison with any other in the ensemble's birthday season.

No matter how often one hears Shostakovich's 13th Symphony – the late 11-movement "poem symphony" for soprano and bass soloists, strings and percussion – there is always something surprising, stirring and disturbing to discover in it. On this occasion, the string playing gave full value to every note under Atherton's absolutely sure control, with strong fibre in the attack and a wide colour range; and for this very reason those many passages that Shostakovich fined down to near-bareness, to single voice and string lines in slowly unfolding partnership, seemed made of pure musical muscle (in less tautly spun and sustained performances the dangers of the texture going threadbare are sometimes only narrowly avoided).

Atherton's soloists fitted in admirably with his approach: Felicity Palmer, an urgently dramatic soprano long-experienced in this work, is particular alert in scornful or bleak-toned declamation, and John Tomlinson, the bass, was very nearly her match in idiomatic vividness (though in the "Delvig" song I thought he fussed a little finically with the line). Altogether, Shostakovich's death-haunted vision was painted in all its passion, compassion, irony and extremes of chill and heat. There was also a great deal to enjoy in the performances of Britten's Prelude and Fugue (1943), an extraordinary marriage of poetry and formal rigour, and (even though it is one of the small number of this composer's works of whose charms I quickly weary) the Bartok Divertimento: Atherton and the Sinfonietta remain a potent combination.

O'Jays/Hammersmith Odeon

Antony Thorncroft

The O'Jays certainly did their bit for Comic Relief on Friday night. The very sight of the three middle aged men, bursting out of their Bacofoil suits as they ran on stage at the Hammersmith Odeon, was enough to lift the spirits. As they progressed through a routine that would have looked quaintly old fashioned a decade ago the sense of well being grew, encouraged by the belief that the O'Jays must be sending themselves up, mustn't they? Surely lead singer Eddie Levert has a twinkle somewhere as he advances on his female target in the front row to confront her with the first pelvic thrust seen on a London stage in years. And when he howls "I'm going to kiss you in your coldest spot," he is not really making a choice between her feet and the tip of her nose, is he? It is all a game, the well-worn ritual of soul music in which the songs alternate between expressions of monstrous love making threats with apparently bewildered ballads of rejection after the poor battered girl has gone off with some guy from the other side of town. The O'Jays have been doing this sort of thing for almost thirty years, putting Philadelphia on the pop map in the process. Their routines are solid in aspic – the twirls, the shadow punches,the hamming of the emotions – all justified by the majesty of the voices.

Along the way they have attracted some good songs, notably "Back stabber," rather thrown away here, and "Love Train," which was given a good milking. Helped by a brass quartet backing their own musicians the O'Jays had the audience on its feet by the second song, but because it is so over the top, so clichéd, no one felt compelled to remain upstanding. It was a show, not reality. There was one unplanned moment when a man from the audience offered Levert a red nose in return for the O'Jays album he was shamelessly promoting as musical Spanish Fly. The singer got the nose; but the album went elsewhere. An O'Jays audience should know its place – clapping along, swaying along, but not competing.

The O'Jays enjoyable escapist drool was well-matched by support act Levert, fronted by two of Eddie's sons. They were more abrasive, and worked the audience hard. They will learn to cool down in time.

Saleroom/Antony Thorncroft

There is a frivolous streak to this week's auctions in London. On Thursday Sotheby's is disposing of dolls, toys and costumes, including the black blouse worn by Marilyn Monroe in the film Bus Stop. Last May Sotheby's managed a price of £15,950 for a Marilyn dress from the same film but that was a flamboyant showgirl outfit: the blouse should make a more modest £3,000 plus.

In contrast the sale includes a linen night shirt reputed to have been worn by King Charles I which he left behind after a visit to Rushbrooke Hall, Suffolk. It has a good provenance and an estimate of £5,000. Somewhat more jolly is the pair of velvet slippers handmade for Cecil Beaton, with a gold monogram "CB".

Phillips is offering Valentines on Wednesday, including a group dating from the late 1830s. One, a handpainted mechanical "Beehive" card, carries a £100 estimate, but most should sell for about £30. Also on offer are some rare "black" Valentines, which carry derogatory messages to unloved ones.

Sotheby's on Wednesday is holding its second auction devoted to Viennese art of the turn of the century. Encouraged by the prices paid for works by Klimt and Schiele the saleroom gathered in 1986 other artists of the period and organised a successful sale. This time there are 183 works, ranging in price from an anticipated £100,000 plus for "Peonies and violets" by Koloman Moser to £500 for a textile design by Carl Krenek.

Arts Guide

February 5-11

Music

LONDON

Philharmonia Orchestra conducted by Sir Neville Marriner with Nigel Kennedy, violin. Wagner, Walton, Mussorgsky/Ravel. Royal Festival Hall (Mon). (928 3191).

National Youth Jazz Orchestra. Tribute to Woody Herman. Barbican Hall (Tue). (638 8891).

Israel Piano Trio. Schubert and Brahms. Wigmore Hall (Wed). (935 2141).

BBC Symphony Orchestra, conducted by Sir John Pritchard with Alexander Baillie, cello. Anthony Powers, Walton and Strauss. Royal Festival Hall (Wed).

Royal Philharmonic Orchestra, conducted by Yuri Temirkanov with Dmitri Alexeev, piano. Berlioz, Schumann and Stravinsky. Royal Festival Hall (Thur).

TOKYO

Pinchas Zukerman with the Tokyo Symphony Orchestra. Violin concertos by Bach and Beethoven. Suntory Hall (Mon). (362 6764).

Pinchas Zuckerman and Marc Neikrug. Bach, Bartok, Franck (Tue); Mozart, Brahms, Prokofiev. Suntory Hall (Wed). (353 2242).

Hungarian State Symphony Orchestra, Suntory Hall (Wed). (235 1661).

PARIS

Odile Pierre, Organ: Vierne, Durufle, Morton Feldman (8.30pm); Roland Pidoux, cello, Jean-Claude Pennetier, piano: Brevel, Beethoven, Franck (10.30pm), both concerts, Tue. Radio France, Grand Auditorium (42 30 15 16).

Alain Planes and Georges Pludermacher, pianos: Beethoven/Liszt (Wed). Radio France, Auditorium 106. (42 30 15 16).

Vienna Philharmonic Orchestra, conducted by Claudio Abbado, Maurizio Pollini, piano: Beethoven (Wed, Thur). Salle Pleyel (45 63 88 73).

Nouvel Orchestre Philharmonique conducted by Charles Farncombe, Ingrid Haebler, piano, Peter Jeffes, tenor: Mozart, Britten (Thur). Radio France, Grand Auditorium (42 30 15 16).

ITALY

Florence, Teatro Comunale. Concert performance of Ibsen's Peer Gynt, adapted by Giorgio Albertazzi (who also performs) in a speaking part to music by Grieg, with solo voices MargheritaVivian, Mary Lindsey and Annamaria Ferrante (Tue and Wed). (27 79 236).

Rome, Auditorium in via della Conciliazione. Beethoven's triple concerto and Haydn (Mon and Tue). (65 41 044).

Rome, Auditoria del Gonfalone (via del Gonfalone 32/A). Beethoven, Mozart and Schumann played by the Salzburg Trio (Thur). (68 75 952)

Rome, Teatro Olimpico (Piazza Gentile da Fabriano). Pianist Paolo Bordoni. Schumann and Schubert (Wed). (39 33 04)

NETHERLANDS

Amsterdam, Concertgebouw. Anton Kersjes conducting the Netherlands Philharmonic with choir and soloists: Mozart, Mendelssohn (Tue, Wed). Recital Hall has Julia Harmari, mezzo, accompanied by Konrad Richter: Schumann, Kodaly, Richard Strauss (Tue). Vera Beths, violin, Jurgen Kussmaul, viola, Anner Bijlsma, cello: Mozart, Ravel, Vermeulen (Thur). (71 83 45).

Utrecht, Vredenburg. Recital Hall. Alban Berg Quartet: Beethoven (Tue). Piano recital by Noel Lee: Gottschalk, MacDowell, Ives, Griffes, Copland, Lee, Gershwin (Thur). (31 45 44).

The Hague, Philipszaal. The Concertgebouw Orchestra conducted by Ivan Fischer, with Yuzuko Horigome: Berlioz, Mendelssohn, Bartok (Thur). (60 98 10).

NEW YORK

Kiri Te Kanawa recital. Mozart, Ravel, Strauss, Liszt, Granados, Obradors (Wed). Carnegie Hall (247 7800).

New York Camerata. Schubert, John Gibson (world premiere), Louise Talma, Vaughan-Williams (Thur). Merkin Hall (362 8719).

New York Philharmonic. Charles Dutoit conducting with Zoltan Kocsis piano: Haydn, Bartok, Rachmaninoff (Tue). Zubin Mehta conducting. Stravinsky (Thur). Avery Fisher Hall (874 2424).

Philharmonia Virtuosi, Richard Kapp conducting, Cyprien Katsaris piano. Milhaud, Liszt, Beethoven, Ibert (Thur). Carnegie Hall (247 7800).

WASHINGTON

National Symphony, Mstislav Rostropovich conducting. Boyce, Tchaikovsky (Tue). Mstislav Rostropovich conducting also on Thursday with Eugene Istomin, piano. Rossini, Haydn, Brahms. Kennedy Center Concert Hall (254 3776).

CHICAGO

Chicago Symphony, Sir Georg Solti conducting. Mahler (Tue); Sir Georg Solti conducting, Adolph Herseth trumpet. Husa, Bartok, Brahms (Thur). Orchestra Hall (435 8111).

Radu Lupu and Murray Perahia duo piano recital: Mozart, Schubert, Brahms (Wed). Orchestra Hall (435 8111).

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BRACKEN HOUSE, CANNON STREET, LONDON EC4 P4BY
Telegrams: Finantimo, London PS4. Telex: 8954871
Telephone: 01-248 8000

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Mitterrand's hard choice

THE FIRST round of the French presidential election is less than three months away, yet France is still waiting with baited breath to see whether its heavy-weight champion, Mr Francois Mitterrand, will enter the ring to defend his title. The assumption by his own Socialist Party and his main political rivals, Mr Jacques Chirac, the neo-Gaullist Prime Minister, who has already declared his candidacy, and Mr Raymond Barre, the former centrist Premier, who is expected to do so today, is that Mr Mitterrand will run again.

However, Mr Mitterrand, whose virtuoso political skills were developed in the wheeler-dealer atmosphere of the Fourth Republic and perfected in several presidential campaigns, is in the habit of keeping both his opponents and supporters guessing about his intentions. It has not always been clear whether this attitude was the result of a personal inclination to mull over momentous decisions for what others might consider an inordinately long time, or whether the creation of suspense was an intentional tactic.

A mixture of both is probably the right answer. Certainly, the prospect of embarking on another 7-year presidential term at the age of 71, quite possibly in tandem with a National Assembly and a right-wing dominated government largely hostile to him, must give Mr Mitterrand, and even some of his supporters, pause.

Yet from a purely tactical point of view, it can hardly be denied that Mr Mitterrand's refusal to commit himself early on in the campaign has served his own cause and that of his party - that is, on condition that he runs again. His rivals have been left, if not exactly tilting at windmills, at least without a firm target to aim at.

Disastrous programme

Mr Mitterrand has calculated, almost certainly correctly, that, in spite of the code of good conduct which the two conservative candidates, Mr Chirac and Mr Barre, have adopted in their dealings with each other, they cannot fail to come to blows in the end. For under the presidential election system, only the two leading candidates in the first round go forward to a run-off, in the probable event that no-one wins an absolute majority first time round. Since all the indications are that Mr Mitterrand would poll most votes in the first round if he were to run, Mr Chirac and Mr Barre would have to fight each other for second place.

If Mr Mitterrand's electoral tactics are astute, it is much less certain that a decision to run for a second term would be in the interests of the country as a whole. No one would deny that Mr Mitterrand has been an impressive figure as head of state, who has done much to bring France closer to other European countries, particularly West Germany, and the Atlantic Alliance. Yet his record on the domestic stage has been much less convincing, starting with the Socialist Government's disastrous nationalisation programme and its dash for growth when its main trading partners were tightening their belts.

Wide following

Mr Mitterrand appears to have no genuine alternative economic policy to that of the present conservative Government. Moreover, it may well be asked whether a president in his 70s is not too old to run a country, even under a system of power-sharing.

Instead of waiting until the beginning of March to announce whether he will run again, Mr Mitterrand would do well to bring his decision forward. If he were to bow out now, he would do so with honour and the respect of the French people, and it might still give a talented moderate Socialist candidate with a wide following, such as Mr Michel Rocard, an outside chance in the election.

Playing politics with schools

THE PRINCIPAL test of the Thatcher Government's reforms of the education system is what it does for those who fall under the present one, not least those who live in the impoverished inner-city areas of the UK and who benefit least from 11 years of compulsory schooling. It is against that standard that the proposal to abolish the Inner London Education Authority needs to be judged and against that standard that the proposal is found wanting.

The Ilea is responsible for state-maintained schooling and further education, except in universities, throughout the 13 central boroughs of the capital. Established in 1965, it is the latest in a line of single authorities which have run education in inner London since school-attendance was made compulsory almost 120 years ago.

Labour control

Since the Conservatives took office in 1979 the Prime Minister has made no secret of her wish to break up the authority which for all but four of its 23 years of existence has been under Labour control. The means originally chosen was to allow the boroughs to opt out of Ilea and take individual charge of education in their areas. Three of them - Westminster, Wandsworth, and Kensington and Chelsea - said they intended to do so. Less enthusiasm has been shown by the rest. Whereupon more than 120 Conservative MPs pressed for the abolition of the Ilea. As a result, the Government has decided to amend the bill so that by April 1990 the individual boroughs will have responsibility for education thrust upon them.

The motive for the decision is wholly political. Mrs Thatcher and her colleagues have been irritated by the Labour-controlled authority's uncompromising resistance to government policies, especially in the early 1980s. But the important issue is whether the children of inner London will be provided with a better education by the separate boroughs than they have received under Ilea.

The prospects of an improvement are not favourable. One reason is that the schools and colleges have been sited and built to serve areas broader than arbitrarily defined boroughs. Unless the boroughs make extensive joint arrangements - which the terms of the Government's proposal suggest are to be subject to specific approval by Whitehall - the young people of some areas will have better facilities for education than those in others.

High spending

Moreover the variances in existing physical provision would be exacerbated by differences in wealth. The Ilea's high level of spending by national standards has, in general, failed to raise the educational attainments of its pupils to a satisfactory level, but at least the money has been fairly evenly distributed across inner London. If each borough were left to depend largely on its own resources, the poorer boroughs with responsibility for more of the disadvantaged children would hardly be able to stop their services from becoming worse.

In addition, the present boroughs of London are purely arbitrary creations of the 1960s. London is an entity, but Southwark is a figment of the bureaucratic imagination. Worse, it is a figment whose politicians are at least as irresponsible as anything in the Ilea in its early 1980s heyday.

Perhaps the detailed arrangements for the change will include effective mechanisms to prevent such foreseeable ill effects. What is certain is that if effective mechanisms are not found the Government will bear the heavy responsibility for allowing political spite to change an already bad situation to one far worse.

Charles Leadbeater and John Griffiths examine the implications of the strike at Ford

A doubt hangs over Dagenham

FORD Motor Company's manual workers begin their first strike for a decade this morning, amid nostalgic comparisons with their last strike in 1978, which heralded the Winter of Discontent by fatally puncturing the pay policy of the Labour government of the time.

Nostalgia aside, this strike does not signal a return to the bad old days of British industrial relations. It follows the most strike-free period at the company since the Second World War. This single dispute does not mean that mass meetings on factory football fields are once again going to become the dominant image of industrial relations.

None the less, the strike crystallises an uneasy doubt which has hung over the renewed competitiveness of British industry, and the refashioning of industrial relations which has accompanied it. Does the strike show that the momentum for change, which built up during the dark days of the early 1980s, was less powerful than it seemed, and has now dissipated?

The conduct of industrial relations at Ford will be seen by many as a proxy for how unions would behave in an economy which was closer to full employment. Ford's productivity, profitability, and output have risen significantly over the last couple of years, while the workforce - currently about 42,000 - has fallen by only 500. Has this led to a shift in the balance of power of industrial relations?

The first main ingredient in the strike is the workforce's response to the company's continued drive for more flexible working practices, after a two-year agreement in 1985 which brought dramatic changes to shopfloor life.

An assembly line worker at Dagenham explained last week why change has not been fully accepted on the shopfloor: "Flexibility means that every 102 seconds a car comes by, and not only do you have to screw something into the car, but in between you have to tidy up, check your tools, repair things and check you've got enough parts. You do not have a single job any more. If there is no work on the line they move you to where there is work. You are working the whole time."

So as Ford has embarked on the next round of flexibility - by proposing work teams, led by shopfloor group leaders, in which there would be a measure of interchangeability between skilled and unskilled workers - many on the shopfloor are still angry over the last deal.

This is not the only ambiguous legacy of the last agreement. The flexibility it brought has helped to raise output from 6.4 vehicles per employee in 1984 to 9.5 vehicles per employee in 1986. The rise in profitability to which this has contributed has heightened pay expectations.

At the same time, there has been a tightening of the overall labour market. The backdrop to the last agreement was a rise in unemployment in Essex, where the company has several of its plants, to around 12 per cent. Since then it has dropped back to 8 per cent. The change in the local labour market has particularly affected skilled workers. Skilled electricians at Ford could earn about £4,000 a year more with local contractors.

All this has meant that workers perceive a company, and a local economy, which can afford to pay more without needing too much in return. From the offices of senior managers, things look very different

It still takes 65 per cent more hours to build a Ford Fiesta, Escort or Sierra in Britain than in West Germany. Ford's British plants require two and half times more hours than the Japanese to build a comparable vehicle. These are not mere abstractions: Nissan's plant in Tyne and Wear will soon start pumping out 50,000 cars a year with a labour content costed at $550 per car, compared with $890 for Ford cars from Halewood, according to Ford internal calculations.

This conflict between the company's perceptions of its continuing need for greater efficiency and the workers' perceptions of the relative stability and affluence of their economic environment has made it much more difficult to sell flexibility.

The momentum for change has not entirely dissipated. The company will continue to seek change, and union leaders' recognition of the need to respond to competitive pressures is more than just good public relations. What the strike suggests, however, is that this acceptance by the union leadership has not been matched by a change in culture among shop stewards and the shopfloor.

The second major ingredient has been provided by the secret ballots brought in by the Government's trade union legislation. Secret ballots may have ended the days when union leaders could call their troops out with impunity, but they have also made it more difficult for them to sell a deal.

In pre-ballot days, for instance, the Ford offer would have been accepted, on the basis that 11 of the 21 union bargaining units voted for the agreement. And the important ballot in which 59 per cent of the workforce rejected the three-year agreement recommended by their leaders was not a formal pre-strike ballot.

The unions were given authority to call the strike by an earlier ballot, conducted before the company made two improvements in its offer, in which 88 per cent of workers voted for industrial action. Many of them, however, were clearly voting to strengthen their negotiators' hand rather than directly for action.

On balance Ford and other employers have welcomed the introduction of pre-strike ballots. This strike shows, however, how the unions have been able to use them to advantage. And the ballots have lent an element of unpredictability to industrial relations.

Does the strike show that the momentum for change has now dissipated?

The third ingredient in the Ford strike has been the fact that what the union negotiators wanted has never been as clear as the frustration on the shopfloor. As a consequence the unions have appeared to shift aim as the negotiations have continued, offering uncertain leadership.

For Mr Mick Murphy, of the Transport and General Workers' Union, the unions' chief negotiator, the main issue has appeared to be that the company could afford to pay more. On January 28 Mr Murphy rejected a 4.5 improvement in the offer, but then three days later accepted the deal with a further improvement worth only 57p a week after tax.

Mr Jimmy Airlie of the engineering union, Mr Murphy's deputy in the talks, has argued by contrast that money was never going to be the main issue. Instead the unions wanted greater control over the introduction of changed working practices, so that greater flexibility would be immediately rewarded by improving blue collar conditions of employment up to white collar levels, and introducing revised pay structures for skilled workers. (Ford's offer promised to introduce harmonised employment conditions only after three years.)

Union negotiators insist that Mr John Hougham, the company's chief negotiator, has added to the difficulties. As one union negotiator explained: "Hougham has created the conditions for a strike by asking for too much. People do not want a deal lasting three years; to seal that kind of agreement you need to do a lot more than just offer more money. You need to build other forms of security in, so that people have more control over change."

Now that a strike has started, the most immediate question for the unions is whether they can maintain unity. Over 9,000 workers voted to accept the deal, against the 15,000 who rejected it. It seems unlikely, however, that there will be any early split in the unions' ranks, especially at the key plants at Dagenham in Essex, and Halewood on Merseyside, partly because the company believes that to encourage people to cross picket lines would further complicate an already messy situation.

While union leaders have talked about the strike lasting about two weeks, it is unlikely they want a long dispute which could sap their new found strength.

Ford is also in a weak position. If the strike lasts even a few days the company will feel the effects throughout Europe. By spending heavily on its UK manufacturing operations since the end of the 1970s - more than Austin Rover, Vauxhall and Peugeot combined - Ford has left itself vulnerable.

British Ford plants are the only source of most of the engines fitted to Fiestas, Escorts and Orions, and of the 2.5 litre direct injection diesel engine fitted to the Transit van. Thanks to the relentless pursuit of Japanese-style manufacturing efficiency, there are no longer big stockpiles of engines and other components at each plant.

The impact a Ford UK strike could have is underlined by a warning from Ford's plant at Genk, Belgium, that 2,500 workers could be laid off on Tuesday - the result of not having UK-supplied body panels and engines to assemble Sierras and Transit vans. In less than a week, Fiesta and Escort output at Saarlouis, West Germany, and Valencia, Spain, will be severely disrupted.

All this comes on top of lost production worth £17m a day at showroom prices. Ford itself could not fill the vacuum entirely by importing more cars from the Continent, although it did manage to fill most of the breach left by pre-Christmas stoppages. One potential beneficiary is Nissan, which is stepping up output at its Tyne and Wear car plant from 29,000 units last year to 50,000 in 1988. But it has yet to gain widespread acceptance in the important fleet markets.

The components industry is partly protected from the impact of the strike by its moves to diversify markets in past years. None the less Ford claims an average 83 per cent UK content for its cars produced in Britain; major suppliers include British Steel, GKN, Pilkington and Lucas. For such companies, Ford components are a small part of total revenues. Harder hit will be smaller companies, mostly in the Midlands, which are much more dependent on Ford.

Settling the dispute will be far from easy. The unions now say it is not a matter of money: they want a shorter deal. But the company says that with three months of the agreement period already gone, it more than ever needs a full three years to introduce complex changes such as harmonisation of terms and conditions. So a shorter deal would require the renegotiation of the entire package. But this could run into opposition from Ford's world headquarters at Dearborn, Michigan, which is keen on a three-year deal.

The wider ramifications of the strike are more difficult to predict. Industrial relations at Ford will suffer from bitterness for some time. Despite the company's communications programme aimed at winning greater involvement and commitment from workers, the strike will leave a legacy of distrust and bitterness, which union leaders warn will undermine recent gains in quality and productivity and endanger future progress.

In industry at large, it seems unlikely that the 1988 strike will have the same catalytic effect as the 1978 dispute. However many unions with members in the private sector will watch the strike with interest: an inkling of victory for the Ford unions will lend them greater confidence.

Box in the House

■The House of Commons votes again tomorrow on whether to allow its proceedings to be televised, at least for an experimental period.

The reasons why the "ayes" should have it are as follows. The televising of parliament works well in other countries. In West Germany, the one I know best, it is absolutely straight and there are few complaints. It is utterly peculiar that Britain - along with the Irish Republic and New Zealand - should be the odd country out among the developed democracies.

The argument that there is no popular demand for televised proceedings does not stand up. There was not a great deal of popular demand for many of the democratic reforms introduced into this country over the centuries. Indeed one of the points of a liberal democracy is to get in first with evolutionary changes before popular demand gets out of hand.

The strongest argument of all is that allowing the electorate to see the people they choose to represent them in action is a natural extension of democracy. It was not possible before because the technology did not exist. It now does. Keeping out the cameras would be akin to keeping out the newspapers.

Margaret Thatcher says that she is against the change because it would further give Parliament a bad name. It is fascinating to contemplate where that argument leads. It means that if MPs go on behaving badly - on her definition - even sound broadcasting should be banned.

Actually, one of the problems of sound broadcasting is simply a technical one. The acoustics of the House of Commons make the proceedings sound much worse than they are. Television should show that they are often much better.

Those who want to foster liberal democracy will know how to vote. But perhaps some members do not.

OBSERVER

In the limelight

■All the same, there is no doubt that television does effect the presentation, if not the substance, of politics. Last week's hearings in Washington by the Senate banking committee on the 1987 crash were a case in point.

First there was the setting - a packed room on the Hill, which was just a little too small to accommodate the hordes of journalists and TV crews without discomfort. One veteran of such occasions claimed that this was a well known ploy of the committee chairman, Senator William Proxmire, who hates to play to a half empty hall and knows that there is nothing like the beat of crowded arc lights to keep the more boisterous of his colleagues in check.

Then there was the way that the hearings were developed to suit particular audiences. Wall Street's finest were encouraged to keep their spoken testimonies brief, and then it was over to the senators to work out their constituencies. New York's Alfonse D'Amato was so horrified at the thought of any fresh legislation for the New York Stock Exchange that he had a prepared press release of his views on the subject ready to hand.

The idea that the Securities and Exchange Commission should be given any further powers over the Chicago markets - noted for the strength of their lobbying muscles - seemed equally repellent to Senators from the Mid West.

For the most part, questions would take the form of long statements requiring only the briefest of acknowledgements from the distinguished people on the stand. There were occasional lapses though, such as when John Phelan of the New York stock exchange went off into a detailed explanation of margin requirements which left brows furrowed and eyes glazed.

At the end of it all, it was no clearer than it had been at the beginning whether legislation was on the way to put the securities industry's house in order.

"What frightened the stock market today - the strikes, the weather or the rugger results?"

Proxmire appeared throughout to be convinced that new laws were required, but the chances of any major initiative in the face of determined political opposition appear slim.

Early warning

■Palestinian residents of the Gaza strip may be interested to hear of a slogan on one of the many tee-shirts for sale in the tourist shops on the Via Dolorosa in Jerusalem.

A message alluding to Israeli militarism turned out to be prophetic. Spotted not long before the present troubles arose, it said: "Visit Israel before Israel visits you".

All we like sheep

■The spread of buskers in the London Underground is an entirely welcome development, though admittedly some are better than others. There is a particularly pleasing saxaphonist who occasionally plays at the foot of the long escalator at Notting Hill Gate and everyone feels better for it.

What interests me, however, is the crowd psychology. If one person throws him a coin or two, others behind follow: if not, they also ignore him.

I have been conducting this experiment for several weeks now. The findings go further. If you are at the head of the pack and fish in your pocket for money, then find you have nothing appropriate and pass the musician by, others behind have started fishing in their pockets as well. But, on the whole, they only shell out if the leader has done so.

It cannot be that so many people can lack the odd coin at the same time. Thus it must be that people behave like sheep and follow the leader.

Yet even that is not an entirely satisfactory explanation. How is it that some sheep are leaders and some are followers?

Yesterday morning there was an illustration of what I am writing about in close-up. A rather bad guitarist was already playing in the carriage when a number of us, all separate, got in. We knew at once that the moment of truth would come when he came round with the hat. A few very discreet glances were exchanged and in the end we all paid up looking, I thought, rather pleased with ourselves.

Perhaps that is because it was Sunday.

Good health

■The Mental Health Foundation gave a lunch last week to launch the establishment of the Substance Abuse Committee - mainly directed against alcohol and drugs. They chose the Institute of Directors in Pall Mall as the venue.

The IoD said that they only served lunch with alcohol and insisted on charging a hefty corkage if it were to be dry. So they ended up drinking.

Heard in Moscow

■"What is socialism, comrade?"

"Socialism is the longest road between capitalism and capitalism."

In the light of Seagram's successful bid for Martell, **George Graham** looks at the future for French cognac

The distinctive aroma of market share

IN COGNAC you do not really count until your family has clocked up at least five generations in the business. The Martell family has been in cognac for eight generations.

Consequently, their decision to sell control of their company, the second leading producer of cognac, has caused consternation in the Charente region where the spirit is produced. The month-long battle between the Canadian conglomerate Seagram and Grand Metropolitan of the UK over Martell, with a final price 40 per cent higher than the opening bid, has worried Martell workers and local politicians.

"It was quite a fight. Now who will pay the bill for the broken crockery?" asked one Martell employee.

It is nothing new to have foreigners in the region. The largest producer, Hennessy, was founded by an Irishman in 1765, and smaller houses like Hine and Otard are of English or Scottish origin. Seagram, which has now won the bidding battle for Martell, itself already owns the oldest cognac house of all, Augier, established in 1643.

Seagram can scarcely be accused of disturbing the traditions of Cognac; it has barely exploited Augier in the 20 years it has been in its possession. Mr Edgar Bronfman Jr, whose family controls Seagram, admits that the group has never really paid attention to Augier.

But Martell is different. In formal alliance with Hennessy up to 1947, and in an amiable dual hegemony afterwards, Martell has been a dominant force in the cognac market for two centuries. Today, the two groups between them account for over 40 per cent of cognac sales; together with Remy Martin and Courvoisier, they make up over two thirds of the business.

If Martell, with its powerful brand name and strong sales network, especially in the Far East, needs the support of a bigger partner in today's world market, then what are the survival chances of the smaller producers?

"It is practically impossible today for a family business to remain independent," says Mr Rene Firino-Martell, chairman of the company. He blames France's wealth tax, which he says reduced available capital for family companies by 8 to 9 per cent between 1981 and its repeal in 1986. In addition, Martell's capital has been dispersed among an ever-widening family. "If you stay small, inefficient and unprofitable," jokes Mr Firino-Martell, "perhaps you can hold out."

Cognac is a capital-intensive business where producers have to finance huge stocks of spirit for blending and selling many years later. These stocks account for seven to eight years of sales, or FFr 1.5bn (£149m) in the balance sheet of Remy Martin, which is heavily – some say too heavily – indebted. Hennessy, too, has FFr 1.5bn of stocks in its balance sheet, 60 per cent of total assets. Martell has around four and a half years of sales in stock, the Cognac region as a whole around six years.

"You measure the strength of a company by the size of its inventory. If your financing costs are only 1 per cent of turnover, then you haven't got enough stock. If they are up as high as 10 per cent then possibly, depending on your exact situation, you have too much," commented a senior cognac executive.

Various challenges lie ahead for cognac. Sales are moving up market, with the more expensive – meaning older – cognacs growing rapidly. This means financing stocks for longer and buying more of the handmade 350 litre oak casks used for maturing the spirit at a cost of FFr 3,000 each.

Ironically, in a downturn a cognac business can generate more cash by destocking, but when it is expanding sales, it must speed up stockbuilding to meet demand in four or five years time.

But the biggest challenge is the increasing expense of maintaining an effective sales organisation around the world. Five sixths of all cognac is exported, and for major brands like Hennessy or Martell the figure is over 95 per cent.

In Europe, distribution costs are relatively low, but profit margins are also low in France – a declining market where the absence of a leading label and the proliferation of cheap, supermarket brands have hurt the whole product.

In the US, cognac's largest market, sales are steady despite a swing away from spirits in general. But sales costs there are very high. The fall of the dollar has further reduced profitability, though producers like Hennessy have pioneered currency-hedging techniques in France and have thus been able to delay the effect.

But the major area of expansion today is the Far East, where distribution costs are high but where the potential for sales growth is seen as enormous. "Martell's strength in the Far East was a major consideration when we took our decision. We consider that the Far East is the area which will experience the greatest growth in the next 20 or 25 years," says Mr Bronfman.

He adds that it is difficult to be a major player in the Far East drinks market without a cognac in your portfolio.

The Chinese – in Hong Kong, scattered around the Pacific basin and now in mainland China – have always been heavy drinkers of brandy, and they are ready to pay for premium brands.

Cognac producers also see great potential in South Korea and Thailand which are traditionally whisky-drinking countries. Japan is another a whisky-drinking country, but some brands of cognac have been achieving growth rates of 20 per cent in Japan in recent years. Remy is doing well with its VSOP brand, while Hennessy has been advancing strongly.

The biggest potential threat to this market comes from the sale of cognacs shipped in bulk from France, bottled in Japan and sold much more cheaply – a technique that has hit Scotch whisky sales in Japan. This anxiety is believed to be partly behind the French government's unwillingness to authorise the sale of a tiny cognac house, Royer, which specialises in the sale of bulk cognac, to Suntory, the Japanese drinks giant.

Glyn Genin

Teaming Martell with Seagram's other main brand, the premium whisky Chivas Regal, will help it to spread the cost of maintaining a sales force – in the same way that Moet-Hennessy's distribution agreement with Guinness allows its cognacs to be sold alongside Johnny Walker whisky.

Indeed, Mr Firino-Martell says it was the Guinness-Moet-Hennessy deal that prompted him to sign a distribution agreement with IDV, the Grand Metropolitan subsidiary. It was dissatisfaction with this agreement, and with Grand Met's insistence on raising its equity stake in Martell, that drove him into the arms of the Bronfmans.

For Seagram, purchasing Martell was a bid to claim a real position in the world drinks industry. Outside North America its only major spirit brand is Chivas.

Grand Met, which owns J & B whisky, Smirnoff vodka and Bailey's Irish Cream, has a less pressing need for another major label. In Charente, indeed, observers see no need for the UK company to seek another Cognac house after failing to win Martell – certainly not at the FFr 5.25bn price, 38 times last year's earnings, paid by Seagram. Grand Met, however, is known to believe that it does need a cognac to complete its portfolio of brands and enable it to distribute more efficiently.

Having lost the battle for Martell, Grand Met now faces the option of building up a small brand. This would be very expensive and take many years; many doubt that it is possible at all.

Some have suggested that the company's attention may now shift to Armagnac, to the south west. The popularity of armagnac – a lighter spirit which has a special chic in Parisian and New York restaurants – has often been prophesied. But similar problems arise: the entire, fragmented industry does not reach the size of a company like Hennessy.

Back in Cognac, the logic of concentration has also struck Remy Martin. It is currently bidding for Benedictine, the Normandy-based liqueur producer. Remy has a sales subsidiary in the US which at the moment has little to back its cognac range. It needs another substantial product to reach an economically efficient size. Benedictine has a distribution agreement in the US with Whitbread, the UK brewer, which Remy says it has no intention of cancelling, but drinks marketing specialists do not believe this attitude would last long if Remy were successful in its bid.

Despite the global scale on which the cognac houses are increasingly forced to operate, family management seems to be a crucial ingredient in their success. Hennessy's five-man board still contains two direct descendants of the founder, as well as the sixth generation of the Filloux family to provide the company with its chief taster and cellar master.

So too at Remy Martin, though a family feud has complicated the company's development. But Remy still believes firmly in the virtues of family management. On its acquisition of the distinguished Krug champagne company it left the fifth generation of the family in charge. However, Remy Martin's bid for Benedictine is being so hotly contested by Mr Alain Le Grand, the great-great-grandson of the firm's founder, that Remy seems unlikely to be able to apply the same recipe if it wins.

From the point of view of the Martell family, Seagram has the advantage that it is also a family-run company. Mr Rene Firino-Martell, chairman of the company, has said that the relationship with the Bronfmans, especially Mr Edgar Bronfman Jr, was decisive in his choice of the Canadian group.

Seagram has said that it wants to leave the current management, which includes six members of the Martell family, firmly in position. In Cognac, however, people are sceptical. "Monsieur Rene" is too used, they say, to running his firm without referring to anyone; they believe it cannot be long before a parting of ways, friendly or otherwise.

Lombard

Top prize for waste

By Martin Wolf

MR WILLIAM Proxmire, Senator for Wisconsin, has tried for many years to encourage frugality in US public expenditure through his Golden Fleece award. The Senator's tactic has been to focus on minor, but amusing, cases of waste.

Recent winners have included the Executive Office of the President, for spending $612,000 to redecorate one room in the old Executive Office of the President, and the Department of Commerce, for funding a second $200,000 conference of southern mayors that had been deemed by the Department's own auditors to be a waste of money, after examination of the first one.

There must be an energetic backbencher who would like to start a Golden Fleece award in the UK. But something more ambitious might be attempted. After all, technology and the activities of governments have both moved on a little since Jason and the Argonauts.

I propose, therefore, the award of a Platinum Fleece to the most wasteful major government spending programme. Examination of the Public Expenditure White Paper has made it easy to identify the award's recipient for 1987-88. It goes to the Ministry of Agriculture, Fisheries, Food and Forestry for spending £1.5bn on "market regulation and production support" under the European Community's common agricultural policy (CAP).

What – the reader might ask – is "market regulation and production support"? The answer is: purchases of food that nobody wants at present high prices. The sums go on purchases in the market, on 40 schemes to "regulate and support" (bureaucratese for rig and distort) agricultural markets and, last but not least, on export subsidies that allow consumers in third world countries to get our food more cheaply than we do.

Set against total public expenditure in 1987-88 of £147.3bn (excluding interest and some adjustments), £1.5bn may not look very impressive. But as Mr Everett Dirksen, the former US Senator, is said to have remarked: "A billion dollars here and a billion dollars there and pretty soon you are talking real money."

Comparisons make it obvious that £1.5bn is, indeed, real money. In 1987-88 expenditure on unwanted food will be 83 per cent of all direct government spending on the universities; more than the entire budget of the Department of Trade and Industry; almost double the Government's grant to British Rail; more than twice as much as the Department of Education and Science spends on the second word in its title; 45 per cent more than all spending on arts and libraries; six times greater than spending on museums and galleries, and 50 per cent more than all capital expenditures on hospitals and community health.

Expenditures on agriculture are not, of course, limited to those mandated by the CAP. The total comes to some £2.2bn. Over and above this comes the taxation of consumers implicit in high food prices.

Outlays on market support are supposedly reimbursed by the European Community (EC), but that connection makes things worse, not better. In 1987-88 the UK is making a net payment to the EC budget of £1.4bn. So the UK taxpayer not only pays for surplus domestic food via the roundabout route of our contributions to the EC budget, but spends an additional £1bn on surplus food in the rest of the Community (this being the same share of the UK's net contribution to the EC as that of agriculture in the Community budget).

Other lobbies can only look on in awe, but they should also learn from the farmers' success. It helps to have the odd cabinet minister engaged in the industry, but an EC common policy is essential. Then they, too, can snuggle down inside a Platinum Fleece.

Letters to the Editor

NUM election result

From Mr P.M. Heathfield.

Sir, I must challenge and correct Energy Secretary Cecil Parkinson's remarks in the House of Commons about the National Union of Mineworkers' (NUM) Presidential election (FT, January 26).

Mr Parkinson is obviously unaware (has he been misinformed by British Coal?) of manpower figures in the coal industry. The NUM electorate is not the 80,000 he claims it is, but over 95,000.

The Energy Secretary, it seems, has not been briefed that there are NUM members employed not only in small private mines but by outside contracting firms operating in the British coal industry.

Mr Parkinson's description of Mr Arthur Scargill's re-election as "the measure of the damage he has managed to do and the failure of his previous policies" is typical of the Tory Government's blatant hypocrisy and dishonesty – seeking to evade the fact that Mr Scargill's 1988 win is still 12.4 per cent higher than that of the Tories in the 1987 General Election, and equal to Margaret Thatcher's majority in Finchley.

Arthur Scargill was indeed given a landslide vote in 1981, after promising absolute commitment to the fight to save pits and jobs. He owes his re-election in great measure to the fact that he has kept every promise he msde to our members – including his pledge on periodic elections.

An examination of the presidential ballot results, furthermore, reveals that Mr Scargill (contrary to Government and media claims) won a majority in six coalfields – several of which contain a number of NUM Areas – whereas his opponent won a majority in only two, and obtained the support of the cokemen and white collar sections of the union.

Mr Parkinson's allegation that his predecessor, Mr Peter Walker, had only been able to persuade Mr Scargill to "come to see him on one occasion" is also untrue. The fact is that Mr Walker only once ever agreed to meet – despite Mr Scargill's repeated suggestion that it was only common sense for regular meetings to take place.

Mr Parkinson omitted from his diatribe the fact that on the very day he himself took office as Energy Secretary, Arthur Scargill and I requested a meeting with him...and were turned down flat.

P.E. Heathfield,
National Union of Mineworkers,
St James' House,
Vicar Lane,
Sheffield, South Yorkshire.

Bridging finance can be provided

From Mr D.B. Severn.

Sir, There is one point in the report of the announcement that building societies' powers are to be extended which needs clarification. It relates to the suggestion – by the spokesman for one society – that the limit on unsecured lending needs to be higher than £10,000 so that a society can arrange bridging finance in certain circumstances.

There is no reason why a building society cannot provide bridging finance to a prospective borrower, unaffected by that limit on unsecured lending. The 1986 Act enabled societies for the first time to lend for a deposit of up to 10 per cent of the prospective purchase price, outside that limit. Then, once contracts have been exchanged and the mortgage secured, it can lend up to 100 per cent of valuation, until the borrower has sold his or her existing property. It is only any loan which the borrower requires beyond that valuation, say to cover legal fees and removal expenses, which would count against the unsecured lending limit.

David Severn,
Building Societies Commission,
15 Great Marlborough Street,
W1

SSAPs have to win support

From Mr Brett Clancy.

Sir, I read with dismay the concluding remark of "Damping the urge to merge" (Lex, February 1). Acceptance, it read, "is the most important thing of any accounting standard."

This is not so. A standard which, as a result of compromise, does not adequately tackle the problem it has set out to solve is *no* standard at all.

The purpose of accounting standards, as stated by the Accounting Standards Committee, is to ensure consistency and comparability in the data published by enterprises to enable comparisons to be made.

Certainly it is important that the standard setting process wins universal support for the content of Statements of Standard Accounting Practice (SSAPs) through consultation and communication with those who must apply them. Without this the SSAPs may not have the effect initially desired. The most infamous example was SSAP 16 on current cost accounting.

It is sad, however, that the Lex author sheds such a dim light on the effective implementation of standards which provide a less rigid alternative to conformity through legislation.

Brett Clancy,
Drexel Burnham Lambert,
77 London Wall, EC2

Charity can begin with credit

From Mr Giles Pegram.

Sir, T.W. Robinson (Letters, January 28) on the new Bank of Scotland NSPCC Visa Card misses essential points of this important, even revolutionary, innovation in donating to charity.

Millions of people in Britain now use credit cards as part of their everyday life, and they use them responsibly. This new card now offers these people the chance to help protect children – at no cost to themselves – by continuing to do just that. The NSPCC receives £5.00 for every account opened, and a donation every time the card is used thereafter.

Millions of normal credit card transactions are taking place every day – in garages, shops, theatres, and by telephone. The new Visa card has mutual benefits on all sides, but principally – and of paramount importance – to children. Children are helped and protected; the NSPCC's enormous task of raising £23m to pay for essential services is supported; and the bank attracts new customers.

Cardholders want to help children. They see this as an ideal, cost-free way of doing it.

Giles Pegram,
National Society for the Prevention of Cruelty to Children,
67 Saffron Hill, EC1

Trade policy makers should be able to come out of the closet

From Mr Harry Shutt.

Sir, At first sight Hugh Corbet's letter (January 29) offers a more reassuring impression of the Trade Policy Research Centre study group's proposals on "Public Scrutiny of Protectionism" than the one conveyed by your report of it (December 10), on which my letter (December 31) was based.

Whereas the latter appeared to suggest that what was called for was the creation of advisory bodies, supposedly unaffected by political pressures, to draw the attention of the public to the costs (no mention of benefits) of protectionist measures, and to be the main influence on ministerial decisions, Mr Corbet now informs us that what is actually proposed is a body charged with conducting a "public enquiry" into both the costs and benefits of each demand for protectionism.

If this term is to be understood in the normal British sense – that is, involving the hearing of evidence from all interested parties – it would at least allay one's concern that the assessments of such bodies would tend to be based on a narrow, short-term, consumer-oriented frame of reference. (Although again, quite the opposite impression was created by your report of December 10, which cited the study group's evident approval of the US Council of Economic Advisors' (clearly consumer-biased) report on the domestic impact of textile protection.)

Yet if this means that such factors as long-term industrial strategy and regional employment considerations, seen in a purely national context, would be weighed in tha balance against short-term comparative cost factors, it is hard to imagine that the process would produce any real advance on the present practice of *ad hoc* manipulation of trade flows.

If we are to avert the trade war into which this approach is inexorably leading us, the first prerequisite – as growing numbers of people are recognising – is an acceptance of the inevitability of managed trade.

Once this point is established and trade policy makers can "come out of the closet" it will be possible to explore ways in which the internationl community can regulate trade so as to achieve a greater degree of economic equity and stability.

I should be happy to elaborate on possible ways and means of organising this. For now, may I make just two points?

First, it is certainly not my view that it can be left in the hands of either bureaucrats or technocrats without scrutinising their actions more effectively than hitherto. Second, nobody should expect that a remotely satisfactory blueprint can be arrived at other than as the result of prolonged debate – and profound institutional change.

The tragedy is that the time available for evolutionary movement in this direction is dwindling. In the meantime official opinion remains dominated by those who, emphasising only the difficulties of change, insist on the need to "return" to a *laissez-faire*, never-never world.

Harry Shutt,
The Grange,
Hillside,
Horsham, West Sussex

FINANCIAL TIMES

Monday February 8 1988

Anatole Kaletsky on Wall Street

Delaware alters the rules

FEW Americans could point to the tiny state of Delaware on a map of the US. But last week, when Governor Michael Castle of Delaware signed a new law restricting hostile takeovers of companies incorporated in his state, he may have altered, with the stroke of a pen, the business and investment prospects for much of corporate America.

A long-time bastion of conservative pro-business legislation, Delaware is the state of incorporation for 45 per cent of the companies listed on the New York Stock Exchange, and 56 per cent of the Fortune 500.

While state anti-takeover laws have spread across America like an epidemic, as local legislators have moved rapidly to protect big local companies like Dayton Hudson in Minnesota or Gillette in Massachusetts, Delaware has had to behave more circumspectly because of the conflicting interests of its corporate and legal constituencies.

For a while it looked as if Delaware might not pass an anti-takeover law at all. Now Wall Street is pinning its hopes on the measures proving ineffective.

At first glance the law seems a tough one. Effectively it stops any potential bidder opposed by a Delaware company's board from accumulating more than 15 per cent of the stock before launching a full offer. It then requires him to buy at least 85 per cent of the shares in a single transaction or give up.

If the bidder goes over 15 per cent, but does not reach 85 per cent, he is banned automatically from consummating any merger with the company for at least three years.

Thus the possibility of buying 51 per cent of a company and then taking out the minority shareholders in a subsequent deal is excluded – although a bidder could buy 51 per cent of a company, throw out the board and then run it himself, provided it remains an independent business, legally separate from the acquiring company for at least three years.

Most takeover experts believe the ban on effecting a complete merger could make financing of highly leveraged takeover bids, which depend on the quick sale of the target company's assets, much more difficult.

As a result, the one impact of the law everybody seems agreed on will be to reinforce a trend which has been evident in any case since the October crash: the takeover bids of the future will come predominantly from cash-rich corporate bidders, rather than individual raiders and takeover artists relying heavily on bridge loans and junk bonds.

While the law has been denounced as "a management protection bill" by Mr T. Boone Pickens, the Texas corporate raider, it is dismissed as "an ineffectual panacea that could actually make some of the takeover abuses worse," by Mr Martin Lipton, the country's most celebrated corporate defence lawyer.

Mr Lipton, inventor of the "poison pills" and "shark repellents" which grace the articles of incorporation of many US companies, says 15 per cent is too high a stake to allow potentially hostile forces.

He believes 90 or even 95 per cent ownership should be required before one company can be forcibly merged into another.

Shareholder democracy is better served, he says, through proxy fights and board elections, not tender offers. Once a tender offer is launched, winning 85 per cent of a company is not much harder than winning 51 per cent, he suggests.

As one arbitrageur puts it: "This Delaware law will stop only the Mickey Mouse bids with no money behind them. Once a company is in play, the old shareholders sell to the arbs and the arbs just wait for the serious bidder. Once the high bid is in, everybody sells and the 85 per cent should be no problem."

The fact remains, however, that Federated Stores and American Standard, the two biggest Delaware companies facing hostile bids, have found comfort in the new law.

Campeau, Federated's suitor, admitted in an SEC filing last week that the new law was "a substantial impediment" to its bid.

Both Campeau and Black & Decker, the US electrical appliance manufacturer bidding for American Standard, have already challenged the Delaware law as unconstitutional.

But this line of attack is unlike to succeed judging by the Supreme Court's decision last April, when it upheld Indiana's takeover statute.

But there is always the alternative approach: simply to offer more money until the target company's board agrees to support the bid. On Friday, Black & Decker raised its offer for American Standard to $65 a share from $55. The new bid values the plumbing products group at $2.03bn.

John Elliott reports on a breakthrough in efforts to mediate in Afghanistan

Guerrilla leaders meet UN envoy

A SIGNIFICANT step towards a possible settlement of the Afghanistan conflict was taken over the weekend when Mr Diego Cordovez, UN mediator, had his first formal meeting with leaders of Mujahideen guerrilla forces who have been fighting, with US support, against the eight-year-old Soviet occupation of the country.

After 16 days of shuttle diplomacy in the region, he flew to the Pakistani border city of Peshawar on Saturday after Mr Maulvi Yunis Khalis, chairman of the Mujihadeen's seven-party alliance, had dropped his refusal to meet the mediator at the personal request of President Zia ul-Haq of Pakistan.

Mr Cordovez went to the Afghan capital of Kabul yesterday to report on the meeting and arrived back in Islamabad, capital of Pakistan, late last night for more talks.

No rapid negotiating is expected, but Pakistani diplomats were talking last night of "hopes for the beginning of a meeting of minds."

The Peshawar meeting was seen as an initial step towards a joint approach, incorporating the Mujahideen for the first time, on the problem of what sort of interim government should be installed in Kabul, when or if the Kremlin withdraws its troops.

Mr Cordovez has suggested that this question of the interim government might become "the fifth instrument" for a peace deal when UN-sponsored indirect peace talks resume in Geneva late this month or early in March.

Four existing instruments cover issues connected with guaranteeing Afghanistan's integrity, including the withdrawal of 115,000 Soviet troops, which has yet to be agreed, as well as the return of more than 3.5m refugees from Pakistan and another 1.5m from Iran and elsewhere.

The shuttle diplomacy is in preparation for the Geneva talks and follows the Soviet Union declaration that it wants its troops out of Afghanistan in 1988, although this target may not be achieved.

There is a growing fear that any settlement and withdrawal of Soviet troops, would lead to serious bloodshed as the Mujahideen groups and other tribal and guerrilla leaders battle for power.

This could cause big problems for Pakistan's border regions with Afghanistan and could also delay the return home of 3.5m refugees now in Pakistan.

Because of these potential problems, President Zia has changed his policy in recent weeks and has stated that any settlement in Geneva must include a deal on what interim government will take over when the Soviets withdraw.

This has led Mr Cordovez to seek a common front with the Mujahideen. Also, he is hoping to dispel distrust between Pakistan and the Soviet Union so that the former will co-operate with him and the US to bring the guerrillas to some form of peaceful settlement.

The Mujahideen are divided on these issues and some top leaders were not present at the Peshawar meeting. Mr Khalis has said that the Mujahideen must have a direct say in the settlement talks, but two or three fundamentalist groups are not prepared to compromise.

Murdoch near deal on New York Post

BY ANATOLE KALETSKY IN NEW YORK

MR RUPERT MURDOCH is expected to sign an agreement this morning to sell the New York Post, his biggest selling US daily newspaper.

The decision to sell the Post to Mr Peter Kalikow, a wealthy Manhattan property developer, will bring to an end one of the most controversial episodes in the history of Mr Murdoch's worldwide publishing and television group.

The sale became necessary under a US Federal regulation which bars one person from owning a newspaper and a television station in the same geographical area.

Mr Murdoch had successfully avoided divestiture for nearly two years and was in the process of mounting a legal challenge to a Congressional resolution which required stricter enforcement of the cross-ownership rules by the Federal Communications Commission.

However, according to a spokesman, he intends to continue the fight, which also affects his Boston properties, even if he sells the Post.

The deal with Mr Kalikow, who is believed to be willing to pay some $37m, also represents a financial setback for Mr Murdoch.

He bought the newspaper in 1976 for $31m and has since suffered operating losses of between $10m and $20m a year in trying to run the paper.

When he bought the Post 12 years ago it was a staid, but broadly respected publication which traced its liberal and somewhat highbrow lineage back to 1801.

It was also losing relatively modest sums. Mr Murdoch decided to move it drastically downmarket.

Hoping to repeat the spectacularly successful formula of the Sun in Britain, he tried to attack the Daily News from below in market terms and from the political right.

But although the new formula picked up substantial numbers of downmarket readers, the Post's middle-class readers deserted in droves – taking the advertisers with them.

Consequently, the paper's losses have mounted steadily, while Mr Murdoch's reputation on Wall Street has not been helped by the general opprobrium the paper attracted.

The compensation for Mr Murdoch has been the political influence which he has been able to win, not only in New York but also in Washington because of the Post's outspoken support for President Ronald Reagan and New York's mayor, Mr Edward Koch.

Mr Kalikow, 44, has no publishing experience, but an impressive record of making money on property deals.

He has accumulated a personal fortune estimated at $500m.

Presumably he plans to profit from the Post's valuable property, which overlooks Manhattan's East Side just north of the Wall Street area.

However, he is doubtlessly also interested in turning the Post around as a paper.

Le Creuset sold for FFr100m

BY LISA WOOD IN LONDON

GROUPE LE CREUSET, the French family-owned cast-iron enamelled cookware company, has been sold for about FFr100m ($17.4m).

It has been bought by Mr Paul van Zuydam, Le Creuset's president, who holds 70 per cent of the company, and a group of UK and French institutions.

Mr van Zuydam was chairman and chief executive of Prestige, the housewares manufacturer, but resigned in September to pursue the Le Creuset acquisition.

Institutions participating are funds managed by Throgmorton Trust and Touche Remnant; Picardie, the French regional development agency and Gilbert Elliott Corporate Finance, financial advisers to Mr van Zuydam.

Main Le Creuset markets are France, the UK and the US.

Sales in 1987 were about FFr300m and the business is understood to be profitable. The purchase price is, however, related to profitability over the next five years.

Mr van Zuydam said he intended to build an international housewares group around Le Creuset's business by growth and future acquisitions.

First priority would be worldwide marketing and product development.

It is intended that Groupe Le Creuset should seek a public listing within three years, probably on the London Stock Exchange.

Fresh offer in battle for Société Générale

By Tim Dickson in Brussels

MR CARLO de Benedetti, the Italian businessman, last night announced details of a higher offer for the additional 15 per cent stake in Société Générale de Belgique.

Cerus, Mr de Benedetti's Paris-based financial holding group, said in a statement that it had decided to lift the "base price" of its partial bid to BFr4,000 ($114) per share against the figure of BFr3,400 which had been mentioned in an earlier communique.

The new level was described as "clearly superior to the value of the company," but in line with the levels achieved in the "disorderly market conditions" of last week which are now the subject of a formal legal enquiry.

The latest move by Mr de Benedetti, who already directly and indirectly controls 18.6 per cent of La Générale, comes at the beginning of a week which could prove decisive in the increasingly bitter struggle for Belgium's most powerful business institution.

A Belgian judge is due tomorrow to give his verdict on the legality of a huge issue of new shares planned by the beleaguered company's board to dilute Mr de Benedetti's stake, while rumoured alliances between the growing number of players in the drama are likely to be shown up as implausible.

Last night's statement from Cerus also drew attention to the recent decision by the Belgian Banking Commission to hold up its approval for the partial offer, on the grounds that it does not yet have adequate information.

Cerus said that it was essential for the Banking Commission to provide the necessary clearance this week: "otherwise Cerus is determined to go ahead with its industrial project and reserves the right to freedom of action in all its plans."

Cerus also stressed that it was the only party currently interested in La Générale "which, with its proposed takeover bid, has taken into account the interests of all the shareholders and, above all, the small shareholders."

West Bank violence worsens

Continued from Page 1

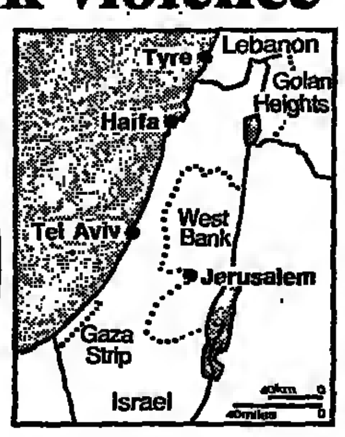
residents had turned up at Hebron hospital, and that a number of other people – 25, according to Palestinian sources – had been injured.

Two children – a 10-year-old boy from the West Bank village of Burks, and a 15-year-old from the Deir el-Balah refugee camp in Gaza – died in Jerusalem hospitals yesterday from bullet wounds sustained in previous days. Their deaths, brought the confirmed death toll to 49

What has surprised the security authorities – and aroused most concern – is the evident capacity the 1.5m residents of the occupied territories are showing to sustain the various forms of protests, commercial strikes, demonstrations and work boycotts over such a lengthy period.

In the Gaza Strip, for example, few of the 60,000 men and women who normally travel to work in Israel each day made the journey yesterday, the beginning of the Israeli week.

After an earlier lengthy stoppage of many weeks' duration had been broken a fortnight ago, Israeli officials were confident that the strikers' resistance had ended. These sanguine perceptions have now changed dramatically.



Andrew Gowers writes from Kuwait: Syria confronted Mr Richard Murphy, the US Assistant Secretary of State, with deep official scepticism and a series of withering media attacks during his visit to Damascus at the weekend.

Mr Murphy had five hours of talks with Mr Farouk al-Sharaa, the Syrian Foreign Minister, on Saturday, followed by another session yesterday with Mr Abdel-Halim Khaddam, the Vice President.

Syria has already condemned the latest American efforts to promote direct talks between Israel and Jordan.

The official press continued yesterday to criticise the US plan, which calls for a limited form of interim self-rule by the Palestinians in the Israeli-occupied territories, to be followed swiftly by negotiations on their final status.

The Syria Times said this was "nothing other than the Camp David deal disguised as an arrangement made by the Americans to please the so-called Arab moderates."

Many Arab diplomats, from moderate as well as radical states, suspect current US diplomacy is a one-sided attempt to take the pressure off Israel, while lacking the political muscle to produce real movement on the Israeli side.

At the same time, Jordan – while rejecting the idea of autonomy talks – has been careful not to reject the US effort out of hand, and Syria has also apparently not yet spoken its last word on the subject.

The King of Jordan will receive fresh backing today from the EC when he meets foreign ministers of the Twelve in Bonn. While some EC states have given a general welcome to signs of fresh US engagement with the Arab-Israel issue, officials are also privately sceptical of its chances of success.

Bush edges towards defeat in Iowa

Continued from Page 1

the Democratic race, for example, up to 15 per cent of prospective voters are still undecided.

With 24 hours to go before an estimated 200,000 Iowans attend caucuses, or political debates at which they will express presidential preferences, 11 Republican and Democratic candidates are mobilising hundreds of volunteers

As Governor Michael Dukakis told a cheering rally in the industrial town of Waterloo on Saturday night, with so few voters scattered around the over 2,400 locations where the caucuses will take place, three or four extra voters persuaded to brave the bitter winter weather could spell the difference between a strong showing and a landslide victory.

World Weather

Soviet chief replaced

Continued from Page 1

Bureau for Social Development, responsible for housing, transport, youth and other social affairs.

The situation should become clear at the next plenum of the Communist Party's central committee, expected later this month. The plenum of the top 300 Soviet officials is widely expected to discuss personnel changes.

There is a possibility that it could promote Mr Talyzin to full membership of the ruling Politburo to replace his predecessor at the Bureau for Social Development, Mr Geidar Aliyev, who was dropped last October. Mr Talyzin would then become the most powerful of the deputy premiers under Prime Minister Nikolai Ryzhkov. However if he remained a candidate (non-voting) member, the move would represent a demotion.

The plenum is also expected to decide the fate of Mr Boris Yeltsin, another Politburo candidate member who was dismissed as Moscow City party leader last year.

THE LEX COLUMN

Europe down but not quite out

Perhaps Europe's stock markets are trying to tell us something. Even before Black Monday dealt them a body blow, 1987 was shaping up to be a truly awful year for the main Continental European exchanges. For the most part, 1988 has provided even less to delight the shareholder. Frankfurt is just off its three year low, Italy and France are bumping along the bottom. Is the threat of recession, which has already cast its pall over the US market, settling on Europe?

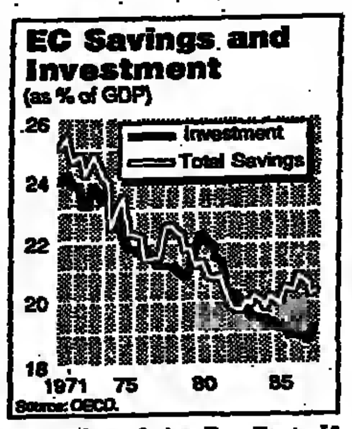
Not yet, perhaps. Recession is looking the worst-case scenario in either the US or Europe, at least for this year. Growth in the sluggish to very sluggish range – with the US closer to the former and Europe closer to the latter – seems a more likely outcome. For the Continental economies, much will depend on whether the US external trade balance has finally begun to obey the logic of a lower dollar – and perhaps more important, on whether the dead weight of German industry's failure to cope with the dollar will continue to drag the rest of Europe down with it.

US imports

In this context, last month's publication of US fourth quarter GNP figures rated as bad news for Europe. On the face of it, the data showed US growth exceeding expectations, at 4.2 per cent. But it did not take much in the way of statistical exegesis to see that this masked a large drop in consumer spending and a build-up in inventories which, taken together, could mean a drop in demand for imports in the early part of this year.

Granted, this is likely to mean more to Hong Kong than to Amsterdam. On its own, a decline in European shipments to the US (which account for anything between 5 and 14 per cent of total export orders depending on the country) would not be enough to provoke a recession in mainland Europe. But with perhaps a quarter of US imports coming from Europe, the extreme case of $100bn trimmed from the overall import bill would mean perhaps ¾ per cent off European GDP growth – enough to knock sideways all but the highest growth estimates for 1988.

And while European exports are struggling against the low dollar and an apparent decline in US consumer demand, the same factors will be converging to force more US exports into Europe – not to mention more exports from Japan and the so-called newly industrialised countries of the Far East. If Japan turns its sights on Europe, Continental manufacturers of cars, machinery, electronic goods and white consumer durables can scarcely fail to suffer.



The German problem

Long used to feeding off the dynamism of America, Europe could be left with no option but to feed off itself. But when it comes to generating demand within Europe (especially outside the UK) the burden of German sluggishness begins to look onerous. Despite forecast strong growth in German consumer spending of perhaps 2½ to 3 per cent in 1988, investment seems certain to let the side down. German balance sheets are stuffed with cash, but industry simply lacks the confidence to make major investments: according to one of the country's leading economic institutes, capital spending by German companies will rise by only 1 per cent this year.

High labour costs and the strong D-Mark will continue to make it difficult for German exporters to compete internationally; the end result is likely to be growth of somewhere between the 1 per cent predicted by the country's independent economic gurus, and the 1.5 to 2 per cent favoured by less pessimistic commentators. With the budget deficit uncomfortably over expectations, any significant fiscal stimulus seems unlikely; and even if unofficial interest rates are eased a bit (as they might be), a nudge will probably not be enough.

The rest of Europe could still turn in some creditable performances (Spain, Sweden, even France if politics comes down on the side of growth). The image of the German engine powering European growth may be a cliche; but without a stronger lead from the Germans, it is difficult to see how the main Continental European economies can exceed overall growth of 1 to 1½ per cent this year.

The Bourses

So why is it that a number of European stock markets are experiencing what, on a continent unused to such activity, might pass for a takeover wave? Do Mr Carlo De Benedetti, Mr Raul Gardini and the Bronfmans of Seagram have a different vision of Europe's economic future? The most likely answer is that they do not: but the fact that industry is finding assets cheap (in Belgium, France, and Italy at least) could prompt investors to have another look.

They may wish to look first at France: the Paris Bourse is trading on a p/e of about 9 times current earnings, which makes it cheaper than any other major world stock market, and the cheapest in Europe bar Italy. Neither France nor Italy is likely to appeal to anybody who finds the names of foreign political parties and politicians confusing, as the former is certain to have an election this year and the latter might well do. But given the choice, and no matter how cheap Italy is looking, France seems a safer bet on fundamentals. Inflation should remain low and the prospects are that a post-election EMS realignment in the spring will improve competitiveness.

Germany, too, looks inexpensive both in world terms and by historical comparison. Valuation levels are at their lowest for two decades – apart from at the bottom of the bear markets of 1974 and 1982. But for all the reasons cited above, which are likely to mean a continued squeeze on corporate profits, the market could have further to fall. Against this background, the UK is (as in so many things European) the odd man out. International investors already seem to be overweight in the UK market, and this looks sensible in view of the economic outlook compared with its major European competitors. Yet a Continental slowdown cannot but mean a worsening trade deficit, leading to pressure on sterling and maybe even higher interest rates. With around 20 per cent of UK corporate profits dependent on America, and perhaps half as much tied to Europe, Britain faces sluggishness on every side but its own.

SECTION II – COMPANIES AND MARKETS
FINANCIAL TIMES
Monday February 8 1988

INTERNATIONAL BONDS

Difficult times for higher-coupon currency sectors

WITH THE Eurodollar bond market up and running again, last week found Eurobond new-issne managers exploring how much paper they conld issue in the higher-couponed currency sectors. The experiment was not a auccess.

The Canadian dollar sector, which happened to be providing the best swap opportunities in the international markets, became heavily overloaded with poorly priced paper, while the Australian dollar market fared little better.

But it was the Eurosterling market that proved the greatest disaster zone – especially for Baring Brothers which had the bad luck to launch a £50m deal for **Commonwealth Bank of Australia** on Monday morning, just ahead of the surprise rise in UK interest rates.

Later in the week, the sector recovered its poise as it reflected on the increased yield gap between UK and US interest rates. But Continental demand for sterling bonds still seemed relatively scanty.

By contrast, the Eurodollar bond market sailed through the nerve-racking three-day US Treasury auctions. At the end of the week, dealers were only lamenting that a larger and more eye-catching new issue had not been launched.

To overstate the case, market conditions appeared to have turned around completely since last year, when investors seemed to have lost all appetite for Eurodollar bonds, though those in higher-conponed currencies, especially Australian dollars, were often selling like hot cakes.

More likely, the renascent Eurodollar bond market has whittled away demand for the higher-couponed sectors. But these markets became so well-established last year that interest is unlikely to evaporate. The main problem last week was that issuing houses seemed incapable of giving investors the kind of paper they were looking for.

It is, however, hard to foresee the Auatrallan dollar sector achieving the kind of phenominal growth it enjoyed last year, largely through the efforts of the West German regional banks which were strongly recommending Australian dollar paper to their clients.

Thia kind of peddling has been less in evidence this year, syndicate managers say, though fund managers are said to have taken np some of the slack as small retail orders have fallen off.

But the Australian dollar sector has become less interesting this year, not merely becanse of the stability of the dollar. It is also that as world markets are now looking for aigns of a recession bonds can no longer be sold on the argument that Australia'a commodity-based currency is an "inflation play."

Last week's crop of issues were not belped by the fact that, apart from deals for **BP Capital** and **Ford Credit Anstralia**, none were for names with much appeal to the German retail investor. A bond for a West German bank, such as abounded in last year'a market, could be expected to meet a warmer reception.

Though dealers describe demand for Canadian dollar bonds as steady at the moment, it was fairly obvious that the bulk of last week's deals were borrower, not investor, driven. The market was providing the only really attractive swap opportunities to be had.

Admittedly, one of the deals, a five-year bond for **IBM Canada**, went down very well. But all the others seemed to be struggling. Future offerings will not be helped by the fact that recent price rises have led to a breaching of the cosmetically important 10 per cent coupon barrier for many borrowers.

As for Eurosterling, all the bonds issued ahead of the base rate rise fell to distressed prices last week, with **Commonwealth Bank of Australia**'a bond, some said, struggling to find demand even at a bid price of less three on Friday.

Marks & Spencer Finance looked a likely name to cheer up the market on Thursday. But though the paper was expected to find safe homes – particularly in Swiss accounts – in due course, at the outset its yield margin of a slim 15 basis points over gilts looked very aggressive. The lead-manager said all its first-day sales had been made inside 1⅞ per cent fees, but bids at lower levela appeared on brokers' screens.

Ironically, a £60m bond for **Woolwich**, the UK building society, appeared to trade more healthily than more popular names. It was bid on Friday at less 2, an ⅛ point below its fees. This was probably because its yield spread of more than 60 basis points over the gilt gave it some appeal to onshore investors.

The houses that were busy issuing Japanese equity-related paper in Eurodollars, D-Marks and Swiss francs, were undoubtedly having a more profitable time than those concentrating on the fixed rate bond sector.

The performance of a $500m bond for **Nissan Motor**, which traded comfortably over par and was seen as an acid test of demand, provided further evidence of the strength of demand, particularly from Far Eastern accounts, for the warrants at the moment.

This encouraged Nikko Securities to become the first lead-manager to cut the coupon on a bond for **Shimadzu Corporation** by ¼ percentage point from the 5 per cent level, established when the Eurodollar section of the market was reopened after Christmas.

Though some expressed concern that a "coupon-cutting war" would ensue - of the type that triggered catastrophe in the market last summer - most saw the cut as a justifiable response to the rally in the US Treasury bond market over the last month.

The prices of neither **Shimadzn**'a deal nor that for **Osaka Gas**, which was fixed on the same terms, suffered from the coupon-cutting treatment.

Clare Pearson

Chase Manhattan to postpone action on Mexican bonds

BY DAVID LASCELLES, BANKING EDITOR, IN LONDON

CHASE MANHATTAN Bank intends to hold off its decision on whether to participate in Mexico's innovative bonds-for-loans scheme until closer to the February 19 deadline, according to Mr Willard Butcher, chairman.

"It's a very constructive development which provides an exit for banks who want to reduce their international lending. But it is therefore of little or no interest to a major international player like the Chase," he said in an interview.

But Mr Butcher added that there might be tactical reasons why Chase would want to join the scheme. "We have not finally made up our minds. We will wait and see."

Willard Butcher: "We will wait and see"

Mexico is offering bonds collateralised by US government securities in exchange for loans tendered by international banks. Banks will have to bid for the bonds by offering to cash in their loans at a discount.

The scheme is being arranged with the help of Morgan Guaranty Trust of New York, but some large US banks, such as Citicorp, have said they will not participate because the scheme requires them to write down their loans.

Chase, tbe second biggest bank in the US, has $1.7bn in loans to Mexico. Mr Butcher said he believed banks should not make excessive provisions against their Third World loans or engage in debt forgiveness. "We've got to guard against letting Latin American countries think they can get away with not paying their debts."

Mr Butcher said that one of Chase's major aims now was to rebuild its capital ratios to make up for the $1.6bn in Third World debt provisions it made last year, and prepare for the new capital guidelines being proposed by international bank regulators.

These will require US banks to have a ratio of common equity to risk assets of 4 per cent.

Chase was at this level before it made the provisions last May. After that the ratio fell to 2.9 per cent, and ended the year at 3.28 per cent.

Mr Butcher expects the ratio to be back at 4 per cent by the end of this year through a combination of retained earnings and property sales.

These include bank-owned buildings in Tokyo, Paris and New York. Chase is also considering a sale and lease-back in its headquarters, Chase Manhattan Plaze, in New York.

"We're not uncomfortable in meeting the capital requirements," he said. "In fact, we expect to be ahead of them."

Mr Butcher also said that Chase has succeeded in stemming the losses on its securities business which drained profits for most of last year. "The results in December and January are encouraging," he said.

The losses were caused by over-rapid expansion of the business, including the acquisition of stockbroking firms in London for the Big Bang financial services deregulation in October 1986, which resulted in high costs but low revenues.

EUROCREDITS

Takeover financing fever gets $5bn boost from Kodak

TAKEOVER FINANCE is providing the excitement in the Eurocredit market, with **Eastman Kodak**, the photographic group, asking Bankers Trust to arrange a $5bn credit to fund its $5.1bn acquisition of Sterling Drug.

Bankers Trust would confirm on Friday only that it had the mandate. The terms, as reported by other bankers, were seen by many as aggressive, especially for such a large amount.

The credit is said to be for three years, with a facility fee of 5 basis points. The margin above London interbank offered rates is 10 basis points, rising to 12½ basis points in the second and third years. As on **BAT Industries**' recent $3.2bn loan, there are no front-end fees. But that had a 10 basis point facility fee.

"It's the sort of pricing that takes your breath away," was one of the more generous comments from London bankers. It is argued that if the deal is rapidly put together it will send a correct message to borrowers, if not a comfortable one from bankers' point of view. Many banks are no doubt eager to lend to Kodak, which more than trebled its earnings last year and is forecasting that Sterling will generate positive cash flow as early as next year. Moreover, the deal is quite short-term.

However, Wall Street's view of the matter has been suggested by the sharp fall in Kodak's share price since the bid was announced.

It is unclear to what extent the facility will be drawn. An argument could be made that if Kodak instead gets funds through commercial paper or other instruments, the return to banks is thin, especially in the light of pending tighter capital requirements.

But if significantly drawn, the return is more respectable. Banks' response will be keenly watched.

Seagram, the Canadian drinks group, is expected shortly to invite bids from banks to finance its FFr5.25bn ($921m) purchase of cognac producer Martell.

The **Bank of Greece** has adopted a divide-and-rule policy for a $350m eight-year credit, awarding a joint mandate to no fewer than 11 banks. Terms are ½ percentage points over Libor for the first six years and ⅝ for the remainder – viewed as fair, though lengthening by two years the period for which Greece can command a ½ point margin. Fees are not yet set.

Chrysler Financial, one of the largest issuers of Eurocommercial paper, has mandated Credit Suisse First Boston to arrange a $750m five-year credit for purposes including support of its ECP programme. Terms were not disclosed.

Bank of America has been mandated for two deals: a $600m note issuance facility for **American Medical**; and a $150m four-year credit for **GM Hughes Electronics**.

British borrowers are still providing a good flow of business, and terms suggest a trend away from the rock-bottom returns of last year. **TI Group**, the engineering concern, is seeking a £200m five-year multi-option facility through Manufacturers Hanover and National Westminster, with a 7½ basis point facility fee and 12½ basis point margin.

Dalgety, the commodity trading and food group, is to have a £200m facility, of which £100m will be committed. Barclays de Zoete Wedd is the mandated bank but could not disclose terms, said to include a 6.25 basis point facility fee. Nor could it comment on a £140m facility it is believed to be arranging for **Scottish and Newcastle** or another deal for **Peachey Property**.

A rare Swiss borrower is believed to have mandated S.G.Warburg for a $100m credit. **Ares-Serono**, a pharmaceuticals company, is seeking a five-year revolver at Libor plus 20 basis points, rising to 30 after two years. Commitment fee is 12.5 basis points. Warburg could not comment.

Credit Lyonnais is arranging a $175m facility for **Essilor**, a French optical group, with a 7 basis point facility fee, 10 basis point margin over Libor and 17½ over domestic rates.

Amid the debate about pricing, completion of three deals was awaited: for **Elders IXL**, Italy's **CIR**, and **Leeds Permanent Building Society**.

Alexander Nicoll

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	429.6	0.0	0.0	6,234.2
Prev	128.6	0.0	211.6	6,271.9
Other	251.2	0.0	83.8	496.0
Prev	1,248.3	0.9	0.0	668.2
Secondary Market				
US$	22,534.1	2,097.1	7,793.7	7,574.6
Prev	18,766.4	2,109.8	9,280.0	5,746.3
Other	23,335.3	755.5	5,857.5	21,226.5
Prev	22,605.2	933.8	2,656.4	19,964.4
	Cedel	Euroclear	Total	
US$	12,407.2	34,037.3	46,444.5	
Prev	12,103.8	32,414.2	44,518.0	
Other	21,867.9	30,712.7	52,580.6	
Prev	21,433.4	26,645.8	48,079.2	

Week to February 4, 1988 Source: AIBD

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Ferruzzi plans 'misunderstood'

BY JOHN WYLES IN ROME

MR RAUL GARDINI'S reorganisation plan for his Ferruzzi-Montedison group has been "widely misunderstood" and complaints about lack of transparency should take into account the market and administrative factors constraining the operation.

This is a further building block in the defence which Mr Gardini is erecting at the start of a week promising further inquests into an affair which helped to send the Milan stock market plunging by nearly 5 per cent last week.

Mr Gardini, together with Mr Antonio Maccanico, the president of Mediobanca, will be closely questioned by the Senate's finance committee, possibly on Wednesday.

Little is known of Mr Maccanico's involvement in drafting the re-organisation plan, whose creator is generally held to be Mr Enrico Cuccia, an influential and secretive force at the state-owned merchant bank.

In an energetic campaign to overcome the almost universally unfavourable reaction to the reorganisation and the way it is being handled, senior Ferruzzi-Montedison officials have revealed that implementation of the first phase of the reorganisation – its adoption by various board meetings last Saturday and then a public presentation by Mr Gardini – had been brought forward because of growing speculation that the group was bent on significant asset sales.

The required Italian procedures had been followed, but the investing public had wrongly believed Ferruzzi Finanziaria, the family holding company, would be brought to the market without full financial information being provided.

However, the officials say the group had to be sparing in information supplied because the listing could not be achieved in less than three to four months. In the meantime, there would be scope for "insider trading and speculation."

Moreover, providing more information such as the prospective price of Ferruzzi Finanziaria might have risked a challenge from the US Securities & Exchange Commission (Montedison is quoted on the NYSE) that a public offering was being launched without a prospectus.

The strategic purpose of the reorganisation is to bring down Montedison's debt from around L8,000bn ($3.6bn) to L5,000bn, the group says.

This will be achieved partly by raising about L1,000bn from "cleaning up the portfolio," which means selling some of Montedison's non-strategic holdings and some property.

A further L1,200bn is expected from the sale of Ferruzzi Finanziaria shares to Montedison shareholders, following absorption by the family holding of the chemical company's 64 per cent-owned financial services subsidiary, Iniziativa Meta.

The remainder should come from transfer of other assets to Ferruzzi Finanziaria.

The group believes this approach is preferable to making a large divestment, such as Erbamont, Montedison's pharmaceuticals subsidiary which executives believe has a bright future.

Swedish board criticises options trading

By Sara Webb in Stockholm

SWEDEN'S bank inspection board has sharply criticised several leading Swedish commercial banks for the way in which they have engaged in options and futures trading and has called for the introduction of new regulations to cover these markets.

The criticism follows the recent losses in options and futures trading which hit several banks. The inspectorate said these losses would total about SKr1bn ($165.2m) and that several clients who suffered through no fault of their own were planning to take legal action against the banks.

In some cases, the board said, banks had not even told customers that their losses were increasing.

The inspectorate reserved its strongest criticism for Götabanken, the fourth largest publicly-quoted commercial bank, which it said had come close to losing its brokerage licence.

The inspectorate has full powers to revoke licences, but in this instance decided not to punish Götabanken as the management concerned with the options business had been overhauled in the wake of the options scandal, in which Götabanken lost SKr202m of its own money and SKr120m of customers' money.

Svenska Handelsbanken, Nordbanken, and Ostgötabanken were also criticised.

Avon doubles profits to $160m

BY OUR FINANCIAL STAFF

AVON PRODUCTS, the leading US door-to-door marketer of cosmetics and fragrances, reported a more than doubling of fourth-quarter operating net profits to $160.3m, or $2.27 per share, up from $78.1m, or $1.11 per share, for the same period in 1986.

Sales for the final quarter improved to $903.1m compared with $746.8m in the corresponding period.

Operating net earnings for the year advanced from $151.0m, or $2.12 per share, to $238.2m, or $3.38 per share, on sales up from $2.33bn to 2.76bn.

The earnloga were etrnck after $31m of charges for restructuring the company's beauty businesses and a gain of $121m on the disposal of a minority interest in a Japanese subsidiary.

Mr Hicks Waldron, Avon's chairman and chief executive, said that "restructuring and a decline in health care earnings should not be allowed to mask the outstanding performance of the beauty group in 1987.

"The group's earnings, before restructuring and the gain on the sale of a stake in Avon's Japanese subsidiary, increased about 20 per cent."

Direct beauty sales in the US increased 7 per cent to $1.29bn and earnings increased about 20 per cent.

International direct beauty aales rose 19 per cent to $1.22bn and earnings moved ahead about 20 per cent, in spite of major economic problems in Brazil in the second half of the year. Brazil is Avon's second-largest internatiooal market.

Avon's new retail beaoty division, created last year through acquisitions, exceeded pre-acquisition estimates, Mr Waldron said. Sales for the division during the year were $89m.

Health care group revenoes from continuing operations increased more than 80 per cent during the year to $167.1m. Avon acquired Mediplex in the Spring of 1986.

The company's earnioge declined about 20 per cent, largely as a result of a decision to accelerate amortization costs at Medlplex and increased investment to expand retirement Inns of America.

Finnish banks advance

BY OLLI VIRTANEN IN HELSINKI

KANSALLIS-OSAKE-Pankki (KOP) and Union Bank of Finland (UBF), the country's two leading commercial banks, have reported substantial increases in profits for 1987.

KOP boosted its consolidated pre-tax profit by 37 per cent, to FM936m ($228m), while UBF achieved a 42 per cent leap in profit before appropriations and taxes, to FM1.2bn.

UBF's consolidated profit for the year remained virtually unchanged at FM400m, but was still higher than the FM336m net profit (np 7 per cent) reported by the KOP group.

KOP now tops UBF as Finland's largest commercial bank. Its total consolidated assets grew last year by 16 per cent to FM117.3bn.

UBF's total group assets at the close of 1987 stood at FM114.6bn, up 9 per cent from the previous year.

Both banke proposed unchanged dividends for the year, with KOP paying FM2.40 a share while UBF A and C shares will earn FM1.40 and B shares FM1.10.

Daishowa mill set to go ahead

DAISHOWA Paper Manufacturing, the second largest Japanese paper maker, has ordered heavy equipment for a planned C$500m ($393.7m) pulp mill in Alberta – the first sign that the company is going ahead with what will be one of Canada's largest mills, writes Robert Gibbens in Montreal

An announcement is expected next week on the mill, which will have annual capacity of 350,000 tonnes. The decisioo has been influenced by the high value of the Japanese yen.

Taiwanese investment houses in probe

By Bob King in Taipei

THE TAIWAN Government has launched an investigation into leading "underground" investment houses for possible violations of banking and company laws.

On Saturday, the Taipei prosecutor's office brought in for questioning five officials of two leading companies. The Government alleges the two firms illegally accepted deposits from the general public in return for interest rates ranging from 2 to 5 per cent a month.

It is generally accepted in Taiwan that several companies have, over the last year, taken deposits totalling tens of billions of Taiwan dollars and invested the mooey in real estate and securities.

The hoge amouot of mooey in circulation, plus the high rates of interest offered for deposits, has made investments in these companies extremely attractive.

However, ever-increasing numbers of new investors are required to pay interest and dividends due to earlier investors.

The operatiooa of tbe firms worry both the Government and foreign bankers, who fear they will eveotoally ruo out of oew investors.

The Finance Ministry had earlier declined to investigate. Officials said privately that because the nodergronnd investmeot firms were not registered as banks or trusts, the ministry had oo jurisdiction over their operations.

•In a related development, Taiwan's Securities aod Exchange Commission has said that foreign securities houses dealing in local shares and bonds would not be allowed to set up branch offices in Taiwan until new local compaoies have had time to gain experience.

A revision of the SEC law last week made possible the issuance of new licences for trading, broking and underwriting firms after a 27-year hiatus.

Mr Shen Pe-ling, SEC chairmaa, said, however, that foreign firms were welcome to form joint veotures with local firms.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Sumitomo Metal Mining◊♦	150	1993	5	5	100	Daiwa Europe	5.000
Nissan Motor Co.◊♦	500	1993	5	5	100	Yamaichi Int.(Eur)	5.000
Shimadzu Corp.◊♦	120	1993	5	4⅞	100	Nikko Secs (Europe)	4.875
Nankei Elec. Railway◊♦	100	1993	5	5	100	Daiwa Europe	5.000
Osaka Gas◊♦	100	1993	5	4⅞	100	Nomura Int.	4.875
Fighter Ltd. (a)‡♦	60	1993	5	24bp	100.10	New Japan Secs.	-
Mitsui P'chemical Ind.◊	150	1993	5	(5)	100	Nomura Int.	*
Dowa Fire&Marine Ins.◊	70	1993	5	(5)	100	Yamaichi Int.(Eur)	*
New Zealand♦	160	1993	5	8½	101⅛	Nomura Int.	8.217
Jewel Three Ltd.(b)‡♦	150	1993	5	23bp	100.10	Daiwa Europe	-
Nishi Nippon Bank§	70	2003	15	(2⅞)	100	Nomura Int.	*
Toyota Motor Finance♦	200	1991	3	8	101⅛	Nomura Int.	7.567
Toyo Wharf & Warehouse◊	50	1993	5	(5)	100	Nikko Secs (Europe)	*
Daiichi Seiyaku◊	150	1993	5	(5)	100	Daiwa Europe	*
Tokai Elec. Constr.◊	70	1993	5	(5)	100	Nomura Int.	*
CNT♦	160	1993	5	8½	101½	Yamaichi Int.(Eur)	8.123
Dutch State Mines♦	100	1991	3	8⅜	101¼	Morgan Stanley	7.891
CANADIAN DOLLARS							
IBM Canada♦	200	1993	5	9¼	100⅝	CIBC	9.089
OKB♦	100	1993	5	9¾	101¾	SBCI	9.297
Credit Local de France♦	75	1995	7¼	10⅛	101⅛	Societe Generale	9.882
Montreal Trustco♦	75	1993	5	10	101⅛	Bank of Montreal	9.705
General Trustco Canada♦	75	1993	5	10¼	101⅝	Merrill Lynch	9.823
AUSTRALIAN DOLLARS							
Societe Generale♦	75	1992	4	13	101⅞	Westpac Banking	12.378
BP Capital♦	75	1992	4	12¾	101¼	Hambros Bank	12.336
Compagnie Bancaire♦	50	1993	5	13⅛	101⅞	Bayerische Vereinsbk	12.597
Toronto-Dominion Aus.♦	50	1992	4	13	101¾	ANZ Merchant Bank	12.419
Ford Credit Australia♦	50	1993	5	13	101½	Hambros Bank	12.578
D-MARKS							
Nichiei Construction§	70	1994	6	(1¾)	100	Yamaichi Int(D'land)	*
Nokia Oy♦	250	1993	5	5¼	100⅜	Deutsche Bank	5.163
SWISS FRANCS							
Yuasa Funashoku**§♦	30	1993	-	1⅛	100	B.della Svizzera It	1.125
City of Vienna**♦	100	1993	-	4⅛	100⅝	Wirtschafts-und P'bk	3.985
Mita Ind. Co.**♦	40	1993	-	4⅞	100¼	Swiss Volksbank	4.818
Nikko Co.**§	30	1993	-	(1½)	100	UBS	*
Akzo NV♦	100	1998	-	4⅝	100½	UBS	4.562
Denki Kagaku Kogyo**◊	150	1993	-	(2⅝)	100	Bqe Paribas (Suisse)	*
EIB**♦	100	1992	-	4	100¾	Morgan Stanley	3.794
Daiei Finance**§	100	1993	-	(1¼)	100	Citicorp Inv. Bank	*
Nishi Nippon Bank**§	50	1993	-	(1¼)	100	Credit Suisse	*
Hunter Douglas♦	75	1994	-	4¾	100½	SBC	4.653
Elec. de Portugal**♦	70	1993	-	4⅝	100⅜	Royal Bk of Canada	4.540
Dest. Donaukraftwerke♦	100	2008	-	5	100	Credit Suisse	5.000
Ono Sokki Co.**♦	20	1993	-	4¾	100	Mitsubishi Bk(Switz)	4.750
Daiichi Seiyaku **§	100	1993	-	(1¼)	100	Credit Suisse	*
IC Industries**♦	103	1992	-	4⅜	100	UBS	4.375
Hydro Quebec♦	100	1998	-	4⅝	101	UBS	4.499
Hydro Quebec♦	100	2008	-	5	100	UBS	5.000
STERLING							
C'wealth Bk Australia♦	50	1993	5	9⅝	101¾	Baring Brothers	9.173
Marks & Spencer Finance♦	150	1993	5	9¾	101¾	CSFB	9.297
Woolwich Equit. B.Soc.♦	50	1993	5	10¼	101⅞	Hambros Bank	9.758
GUILDERS							
Nat. Investeringsbank♦	150	1993	5	5¾	100½	CSFB-Nederland	5.633
DANISH KRONER							
Nordic Inv. Bank♦	300	1992	4	0	68⅞	Privatbanken	9.770
LUXEMBOURG FRANCS							
D'Ieteren Trading BV**♦	300	1993	5	7⅜	100	BGL	7.375
Mo Och Domsjo**♦	300	1993	5	7½	100	BIL	7.500
YEN							
Australian Tel.Comm.♦	10bn	1998	10	5⅜	101¼	IBJ Int.	5.211

*Not yet priced. **Private placement. ♦Final terms. §Convertible. ‡Floating rate note. ◊With equity warrants. (a) 24bp over 6mth Libor. (b) 23bp over 6m Libor. Note: Yields are calculated on AIBD basis.

هكذا من الاصل

US MONEY AND CREDIT

Divided team prepares to tackle monetary policy

IT IS A fair bet that the members of the Federal Open Market Committee, who will be meeting in Washington this week to set US monetary policy, are almost as divided in their views on economic prospects as are the analysts on Wall Street who will be trying to second-guess their actions in the weeks ahead.

In spite of the alleged efforts of the Reagan Administration to pack the central bank with reliable Republicans, the Fed governors and area presidents who make up the FOMC still seem to have strong wills of their own.

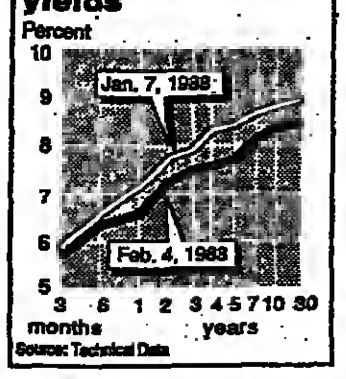
Thus the committee includes dogmatic monetarists, outspoken supply-siders and several old-line Keynesians who are as independently minded and as argumentative as any group of 12 economists gathered in one room. And rarely will they have better cause to argue than at the policy-making FOMC meeting which begins tomorrow.

It is probably fair to say that most of the FOMC's members are somewhat more concerned about the possibility of economic weakening than overheating in the immediate future.

The huge build-up of inventories and the decline in consumer demand which were revealed in the fourth quarter gross national product figures cannot be ignored as a pointer to some retrenchment in production during the early part of this year.

On the face of it, the GNP figures, reinforced by the decline in leading indicators and the weaker-than-expected employment figures released on Friday, point clearly toward a monetary relaxation – provided only that the US trade figures due for relase next Friday provoke no new horrors on the foreign exchange front.

US Treasury yields



Source: Technical Data

However, this comforting assumption has become so widespread among bond investors after the marvellous bull run of the last two weeks that it is dangerous to take it entirely for granted.

When Fed officials look ahead of the current quarter, toward the summer and autumn, many of them see a greater threat of inflation than unemployment, as strong exports and investment exhaust productive capacity in the industrial heartland while import prices continue to rise.

Even improvements in the US trade deficit, which are now almost universally expected by economists within the Fed as well as outside, have an ambiguous effect on policymaking.

A lower trade deficit would presumably diminish downward pressure on the dollar and therefore remove one obvious constraint on monetary easing (although it remains unclear why the markets are so convinced that deficits of $12bn a month or even as "little" as $8bn a month can be effortlessly financed).

On the other hand, a turnround in the trade deficit, if it does occur, will boost GNP growth and add to precisely the kind of inflationary pressures on the industrial economy which some officials fear.

It is not that these Fed officials are reluctant to see the trade deficit narrow; but they believe that any reduction in the trade deficit will have to be accompanied by cutbacks in US consumer spending in order to create the economic headroom for a non-inflationary long-term solution to the US balance of payments problem.

Thus those members of the FOMC who are bullish about the improvement in the trade picture are not going to lose sleep over the signs of weakness in consumer spending or housebuilding. Belt-tightening by the consumer is exactly what the doctor ordered, as far as the committed anti-inflationists at the Fed are concerned.

Indeed, it was precisely to enforce this belt-tightening and to release economic resources for a non-inflationary trade adjustment that Mr Alan Greenspan, the Fed's chairman, raised the discount rate shortly after he took office last summer.

In retrospect, Mr Greenspan may have regretted that action, particularly during a busy week or two in October. But his fiery initiation into the mysteries of US central banking may also have convinced him of the perils of procrastination.

Indeed, he might well have been wondering to himself in October why some of the blame for the stock market crash was not being placed on the broad shoulders of his predecessor, Mr Paul Volcker.

After all, it was Mr Volcker, not Mr Greenspan, who had arguably caused all the trouble by failing to tighten policy earlier, thereby allowing the carnival on Wall Street to continue far beyond the average equity trader's bed-time.

After his ordeal last October, the last thing Mr Greenspan will want is to repeat the experience next autumn – just before the presidential elections.

* * *

The following are the economic indicators due for release this week, along with the the market expectations as surveyed by Money Market Services of Redwood City California:

- Retail sales (Thursday) are estimated to be unchanged, with forecasts ranging from minus 0.8 per cent to plus 1 per cent.
- Merchandise trade (Friday) should show a deficit of $13.8bn, with a range of $11.5bn to $16bn.
- Producer prices (Friday) are expected to have risen by 0.3 per cent, with estimates varying from down 0 per cent to up 0.7 per cent.

Anatole Kaletsky

Foreign buyers revive interest in Japan

FOREIGNERS became net buyers of Japanese shares in January, for the first time in almost two years, confirming suggestions of a revival in overseas interest in the Tokyo stock market.

The Tokyo Stock Exchange said foreigners bought Y222.6bn ($1.73bn) more shares than they sold during January, making it the first month since March 1986 in which foreign investors were net buyers.

Investors from abroad were big sellers of Japanese stocks last year, liquidating a net $14bn in holdings in October when stock prices collapsed around the world.

Foreign investors thus account for between 2 and 3 per cent of the capitalisation of the Japanese market, a level widely seen in Tokyo as a floor for a market which alone accounts for 40 per cent of all world stock market assets.

Signs of renewed foreign buying interest emerged in December when, according to Japanese and foreign firms, US pension funds began to commit funds to the market.

They were joined in January by European and other investors, as Nomura Securities and the other Japanese securities firms stepped up efforts to promote their home market.

The figures, which cover the Tokyo, Osaka and Nagoya exchanges and also include Japanese entities abroad, show that the pace of foreign interest picked up toward the end of the month.

In the last week alone, foreign investors bought a net Y129.4bn, the second largest weekly figure on record. The record, from the second week of March 1986, stands at Y140.9bn.

The January figures show, however, that individuals were net sellers to the tune of Y280.3bn, down about 50 per cent on December. Investment trusts were net buyers of Y249.7bn and banks and other financial institutions of Y119.9bn.

Institutional buying was encouraged by a Ministry of Finance easing of accounting and other rules for the financial year ending in March.

Stephen Fidler

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds (weekly average)	6.68	6.66	7.05	7.78	5.98
Three-month Treasury bills	5.62	5.65	5.87	7.17	5.03
Six-month Treasury bills	5.92	6.02	6.45	7.65	5.30
Three-month prime CDs	6.57	6.73	6.95	8.22	5.88
30-day Commercial Paper	6.48	6.63	6.77	7.62	5.75
90-day Commercial Paper	6.50	6.70	6.87	8.85	5.65

US BOND PRICES AND YIELDS (%)

	Last Pri.	Change on wk	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	[illegible]	7.93	8.06	8.75
20-year Treasury	[illegible]	[illegible]	8.27	8.47	9.20
30-year Treasury	[illegible]	[illegible]	8.36	8.45	9.10
New 10-year A Financial	N/A	N/A	9.13	9.25	10.00
New AA Long utility	N/A	N/A	9.33	9.35	10.25
New AA Long industrial	N/A	N/A	9.13	9.25	10.05

Source: Salomon Bros (estimates).

Money supply: In the week ended January 25, M1 rose $4.9bn to $766.3bn.

NRI TOKYO BOND INDEX

December 1983 = 100	4/2/88	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	142.50	4.35	141.67	137.93	134.94
Government Bonds	143.21	4.83	142.26	138.93	135.56
Municipal Bonds	144.29	4.69	143.31	138.32	135.80
Govt.-guaranteed Bonds	145.66	4.78	144.71	139.28	135.76
Bank Debentures	134.85	4.33	134.23	131.25	131.35
Corporate Bonds	142.52	5.32	140.92	136.61	136.08
Yen-denom. Foreign Bonds	142.27	4.52	141.09	138.52	138.11
Government 10-year†	4.75	—	4.90	5.23	5.61

† Estimated par yield

Source: Nomura Research Institute

UK GILTS

Tactical victory over recession bulls

A RISE in base rates usually gives the gilt-edged securities market direction for a time, but Monday's half-point increase to 9 per cent has left it in a state approaching confusion.

The market, which had preferred to think recession was around the corner, was forced again to consider the alternative scenario.

Insult was added to this unwelcome injury by news on Friday of an imminent strike at Ford. Together with a generalised concern over growing industrial unrest, these two elements forced the effective decoupling of gilts from US Treasuries, and scored a tactical victory for the inflation bears over the recession bulls. In the wake of the Ford strike announcement the market was simply unable to sustain a response to the two-point rally which boosted Treasuries after the release of US employment data for January.

Gilts at the long end lost a point to close at a level near 9.6 per cent, compared with 9.38 per cent a week earlier. The benchmark 30-year Treasury bond gained two points to close at 8.3 per cent on a yield basis.

Domestic economic concerns, which had been effectively sidelined since mid-January, have reasserted themselves with a vengeance. Market analysts, however, remain implacably divided into two schools of thought.

An informal survey of nine analysts on Friday found that five believe base rates will rise in the spring, three think they will fall, while one sees no change from the current 9 per cent level over the medium term.

The "overheaters" see base rates being jacked up to 10 per cent or more during the spring. They believe the economy will remain strong, inflationary pressures – mainly from the labour market – will stay buoyant, the equity market will hold up, and there will be pressures on the exchange rate as foreign investors become concerned about the effects of a widening current account deficit.

For those analysts who see signs in the economy of a slowdown, the Government is currently playing with fire by raising base rates. It runs a real possibility of tipping the UK into recession by raising rates and sacrificing the economy on the altar of exchange rate policy.

Signs of a slowing are seen in retail sales. December's fall will be followed by a similar decline in January. Witness the 7 per cent fall in notes in circulation in January; that matches a 7 per cent fall last January which was explained by one of the worst winters on record – an event not repeated this time. Bank lending data also conceals evidence of a slow-down.

It is generally conceded that the authorities' decision to cut the base rates to 8½ per cent on December 3 was a bad move. The long end of the gilt market did not like it and yields began to drift upwards from then on.

A rate hike could have been expected to reassure the market; the fact that it appears not to have may indicate that the market expects and needs a further rise before it is willing to see long-end yields fall.

By all accounts, turnover last week in the gilts market was pathetically low. Monday's base rate rise took the stuffing out of the market and the only signs of serious buying were said to come from investors in the Middle East and West Germany.

For the foreign investor not concerned to analyse every UK economic statistic in forensic detail the yield basis is attractive and the currency appears stable.

Domestic institutions are, however, still sitting on their hands. The outlook for gilts seems to them so clouded at present that they are having little difficulty in justifying being overweight in cash.

Given the uncertainty, however, they may want to consider the index-linked sector.

With real yields currently around 4 per cent and all the uncertainty surrounding the outlook for growth and inflation, index-linked appear to have an attractive "safe-haven" feel.

If index-linked do prove to be attractive, the Bank of England may want to appear even more vigilant than usual in ensuring that investors feel they have an unbiased access to that sector of the market.

But with 24 primary dealers the limitations of the Bank's requirement for dealers to make continuous and effective prices in every stock is nowhere more apparent than in the somewhat exotic, specialised and thin index-linked sector of the market.

Simon Holberton

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg on week	Yield
ABN BANK 8½ 92	150	101½	+1½	8.09
AETNA LIFE & CAS 7⅝ 16	200	96	+1½	8.10
ANFC DIS.FIN. 11¼ 94	100	99½	−½	11.87
A.I.D.C. 11 89	75	102½	+½	8.30
ALBERTA 7⅝ 91	750	97⅝	+⅝	8.17
ALCOA AUSTRALIA 11 92	80	100⅛	+⅛	10.79
AUSTRALIA 13¼ 90	100	106¼	+⅞	8.47
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
QANTAS AIRWAYS 8¾ 96	97	96⅝	+1	9.23
QUEBEC PROV 13 90	150	109⅜	+½	8.85
QUEENSLD.GVT. 11¾ 89	100	105⅛	+⅛	8.26
RALSTON PURINA 11⅞ 95	150	107⅞	+½	10.16
REYNOLDS R.J. 10¼ 93	100	106⅛	+⅜	8.76
RICHARDSON-VICKS 11½ 93	125	106	+⅛	9.97
ROCKWELL INT 9⅝ 90	200	103⅜	+½	8.15
S.A.S.10⅛ 95	150	104⅛	+1	9.31
S.N.C.F. 7⅞ 94	175	99⅛	+⅛	8.71
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid price	Chg on week	Yield
NIPPON SEIKO 3⅞ 99	70	228	+1¼	3.34
ROCKEFELLER CENTER 0 00	952	25¼	+⅛	−70.52
SOUTHWEST AIRLINES 6⅝ 98	38	79⅛	+⅛	105.35
SWISS BANK CORP 6⅞ 90	120	113⅝	+⅜	−7.00
TEXACO CAPITAL 11¾ 94	500	117⅝	+1⅞	40.18
TOSHIBA CERAMICS 3 00	50	152	−1¼	−5.48
XEROX CORPN 5 88	75	97⅛	+⅛	149.03
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds where it is in billions. FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate for US dollars. CONVERTIBLE BONDS: US Dollars unless indicated. Premium is the percentage premium of the current effective price of buying shares via the bond over the most recent price of the shares. WARRANTS: [illegible] Closing prices on FEBRUARY 5

UK COMPANY NEWS

Gulliver raises standby offer for Waverley

BY PHILIP COGGAN

MR JAMES GULLIVER'S Sanda Investments has increased its standby cash offer for Waverley Cameron, the Scottish stationery maker, to 520p per share. This tops the 500p cash bid made by Flavell Communications, a private company controlled by Mr Kevin Doyle.

The increased terms have been unanimously backed by the Waverley board who have repeatedly supported plans for Mr Gulliver, the Argyll group chairman, to take management control of the group.

Under the original plan, Sanda, a company controlled by Mr Gulliver, would have injected £1.66m in new capital, in return for shares issued at 120p each, raising its stake to 64 per cent. If that deal was approved by shareholders, then the cash standby offer, which under the original deal was worth 270p per share, would be offered to the minority.

But Mr Doyle opposed the deal, arguing out that it was unfair to issue shares at 120p to Sanda when the market price was well over 400p. He built up his stake in Waverley to nearly 26 per cent and then made a 500p cash offer for the rest of the equity. His offer is dependent on shareholders rejecting the Sanda deal.

James Gulliver: increased terms unanimously backed by Waverley board

Shareholders will be given the chance to vote on the Sanda buy-in at an extraordinary meeting on February 17. Mr Doyle could not be contacted yesterday for his reaction to the new Sanda offer.

The Waverley directors, and other shareholders owning 22 per cent of the equity have undertaken to approve the deal and not to take up the standy cash offer; Sanda itself owns 13 per cent of the equity.

Celtic Basin back to profit with £160,000

With realised profit on the sale of investments this time of £132,108, Celtic Basin Oil Exploration reported interim profits of £150,264, against losses last time of £18,493. For the six months to the end of June 1987, there was again no exploration expenditure.

Directors said that the continuing revival in the company's financial position justified a review of the capital structure. Proposals would be put to the next annual meeting to write off the loss on the profit and loss account so that a dividend could be considered when it was prudent.

Blue Circle says bid has strong logic

Blue Circle, the building materials company, has sent a further letter to shareholders in Birmid Qualcast, the lawnmower, boiler and cooker group for which it has launched a £275m bid.

The letter challenges claims made in Birmid's fourth defence document, published on Friday and reasserts that the bid has "strong commercial logic".

Pavillion Leisure

F J Porter and Gilport Hotels have increased to 18.7 per cent their stake in Pavillion Leisure, the theatre company.

David Waller reviews the transformation of Thomson T-Line

Pools purchase to pay dividends

Thomson T-Line used to enjoy modest fame as a maker of caravans and trailers. In future, it is likely to be best known as the company which succeeded – where many others had failed – in buying the Vernons football pools business from Mr Robert Sangster, the race-horse owner.

The £90m deal, details of which were announced on Friday last week after two months of negotiations, is the latest, and by far the largest, in a series of transactions which in the last two years have transformed TTL into a mini-conglomerate. When two South African entrepreneurs, Mr Julian Askin and Mr Hugo Biermann, wrested control of TTL in February 1986, its sole business was a loss-making timber yard located in the centre of Falkirk (the caravan interests were disposed of in 1982).

Now, football pools apart, the company operates in a number of fields including electrical and electronic equipment, industrial fasteners and property.

On Friday, it forecast that it will make pre-tax profits of no less than £4.6m in the year to April 30, compared with £760,000 in the 16 months to April 30 last year. The forecast, includes no contribution from Vernons, which made £7.4m in the year to last August.

The combined company is likely to have a market capitalisation in excess of £130m, which compares with TTL's £2m value prior to the arrival of Mr Askin and Mr Biermann, now the company's joint chairmen.

The transformation bears all the hallmarks of a classic shell operation. The presence of the two entrepreneurs prompted a hike in the share price which made it relatively easy for the company to grow by paper-fuelled acquisition.

In July 1986, TTL issued shares worth £13.6m to buy Longton, a listed industrial holdings company. In Hanson-like style, TTL retained Longton's most profitable subsidiary, a stockist and distributor of industrial fastners, while disposing of its steel stock-holding and transport activities.

This was followed in March last year with the £11.7m acquisition of Taddale, a company whose shares were traded under Stock Exchange Rule 535(2) and on the Over-the-Counter market. It specialised in the assembly and distribution of electrical and electronics equipment, joinery manufacture and chemical manufacture.

TTL has made three further purchases of small private companies. The purchase of Vernons, a large private company, is intended to provide the company with a core cash-generating business to nourish the other parts of the group and finance further acquisitions.

Robert Sangster, millionaire vendor of the Vernons Group, who is to become a non-executive director of Thomson T-Line

Under Mr Sangster, Vernons was managed efficiently, but without the ruthless dedication to profit maximisation that might be expected in a publicly quoted company. Generating cash of an average of £2.5m each week, proceeds from the business were used to finance the millionaire's bloodstock activities.

That is not to say that Vernons was unprofitable or incapable of growth – when interest costs are stripped out, profits have grown steadily from £6.4m in 1983 to £7.4m last year.

Nevertheless, Mr Askin and Mr Biermann seem right in their assertion that the business will respond to a more professional style of management.

With a minimal requirement for working capital, the Vernons pools business is the archetypal cash-cow. Add to that the profits potential and its strong position as number two to Littlewoods in a market which legislation renders relatively invulnerable to other competition, the deal is a coup indeed for the ambitious TTL – one which might not have been brought off if Mr Askin and Mr Biermann had not had the foresight to employ Mr Sangster's son, Guy, as an analyst in their acquisitions department.

Very much a creature of the bull market, TTL will derive from Vernons the financial muscle to continue to grow in a bear market. Enthusiasm should be tempered, however, by noting that the company's forecast profits of £4.6m are some £2m lower than most analysts' estimates.

The company attributes this to a mixture of reorganisation costs, interest costs arising as a result of the share stake in the listed company, and anticipated delays in the delivery of computer keyboards to a major information group.

PHILIP COGGAN LOOKS AT THE NEW ISSUES SCENE AFTER THE CRASH

Confidence beginning to return

THE LAUNCH of two substantial offers-for-sale this week indicates that confidence is beginning to return to the new issues market after October's crash.

The events of Black Monday caused many companies to abandon, or at least postpone, their flotation plans. Those few that went ahead in the weeks after the crash were forced to scale down their expectations and to accept substantially lower ratings than they might have expected at the height of the bull market.

However, despite the dramatic falls in share prices, the FT-SE 100 Index is still around the level it enjoyed at the beginning of 1987 when the new issues market was still buoyant.

So new issue sponsors have decided to test the water. London Forfaiting, the trade finance group, is one company which had planned a late 1987 float. "We had done so much of the pre-flotation work and devoted so much management time to the issue" said Mr Jack Wilson, chief executive "that we decided it was worthwhile going ahead".

The London Forfaiting float, which should raise between £75m-£80m, will be the largest ever offer on the USM. AMI Healthcare, the UK subsidiary of a US private medicine group, will raise slightly less in its main market flotation; earlier indications of a £60m offer seem to have been scaled down to around £40m.

Nevertheless, the combined total of £100m plus is still a significant figure for a stock market which seems to be in the doldrums. And more companies are on the way.

Copymore, an office equipment supplier and TIP Europe, a trailer rental company are another two companies, whose flotation plans were disrupted by the crash. TIP has had to scale down its plans for an offer-for-sale and will, instead, raise the maximum of £15m allowable via a main market placing; Copymore will today publish its prospectus for a placing on the USM.

Meanwhile, Vosper Thorneycroft, the warship manufacturer which was the subject of a management buyout from British Shipbuiders in 1985, is planning a placing in March; and Shanks & McEwan, the Scottish waste disposal group, will seek to raise around £14m via a placing later this month. Other issues in the pipeline include A J Archer, a Lloyd's managing agency; Ankett Associates, an architect; and Norfolk House, a property company.

The reason all these companies are venturing on to the market is that the institutions seem to have solved their immediate liquidity crisis. On Black Monday, many fund managers were heavily invested in equities, with few cash resources.

Since then, institutions have built up their cash positions, by selling equities, accepting the occasional cash bid in a takeover and through the normal influx of pension and life assurance contributions.

In-Shops, the niche retailer which joined the market last month, discovered that institutions were willing to back a new issues. Its placing was four times over-subscribed.

Nevertheless, with many commentators still predicting a further downphase of the present bear market, the sponsors of the current crop of new issues will not rest easy until the applicants' cheques are safely in the bank. And if the two big offers-for-sale flop, that may depress the new issues market for the rest of 1988.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except when the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year		Date	Announcement last year
BTR	Mar 11	Final 4.754	*ICI	Feb 25	Final 22.0
*Barclays	Feb 24	Final 11.5	Jaguar	Mar 5	Final 6.2
Cement Road	Mar 11	Final 2.43	Lex Service	Mar 5	Final 6.5
*Commercial Union	Mar 2	Final 7.8	*Lloyds Bank	Feb 26	Final 11.75
Cons Gold	Mar 4	Interim 9.5	*Midland Bank	Feb 18	Final 15.5
*Dalgety	Feb 15	Interim 6.0	*NatWest	Feb 23	Final 13.5
De Beers	Mar 10	Final 80c	Nerd	Mar 12	Interim 1.5
Fisons	Mar 3	Final 5.411	Reuters	Feb 11	Final 3.75
Gen Accident	Mar 4	Final 18.0	*Royal Ins	Feb 25	Final 20.5
Gen Mining	Mar 12	Final 150c	STC	Mar 3	Final 3.0
Glynwed	Mar 12	Final 6.5	Shell Trans	Mar 5	Final 29.5
Gold Fields	Feb 9	Interim 85c	TI	Mar 5	Final 10.0
*Hillsdown	Mar 9	Final 2.75	Ultramar	Mar 11	Final 3.25
HK Shanghai	Mar 10	Final 80.28	Unilever	Mar 8	Final 36.17
			*Vickers	Feb 22	Final 8.0

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Helton Holdings, Merivale Moore.
Finals- Core Tem Investments, Domino Printing Sciences.

FUTURE DATES

Interims-	
Honeysuckle Group	Feb 15
Marler Estates	Feb 8
Merivale Moore	Mar 8
Finals-	
Green Property	Feb 17
Griqualand West Diamond Mining	Feb 9
Lex Service	Mar 3
Prudential	Mar 22

FINANCIAL TIMES STOCK INDICES

	Feb. 5	Feb. 4	Feb. 3	Feb. 2	Feb. 1	Jan. 29	1987/88 High	1987/88 Low	Since Compilation High	Since Compilation Low
Government Secs.	89.08	89.25	89.50	89.35	89.17	89.72	93.32	83.73	127.4	49.18
Fixed Interest	95.59	95.74	95.79	95.69	95.38	95.36	99.12	90.23	105.4	[illegible]
Ordinary	1387.1	1410.9	1413.2	1420.1	1423.1	1435.7	1926.2	1232.0	1926.2	49.4
Gold Mines	251.0	241.7	253.1	257.3	252.8	261.5	497.5	241.7	734.7	43.5
FT-Act All Share	892.44	905.88	906.07	909.22	910.31	915.84	1238.57	784.81	1238.57	61.92
FT-SE 100	1737.8	1766.9	1766.3	1774.4	1776.9	1790	2443.4	1565.2	2443.4	986.9

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1987/88 High	1987/88 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
§71½	F.P.	-	73	70	Assoc. Heuriques 5p	70		N2.5	-	4.9	-
§72	F.P.	12/2	78	70	Atlantic Securities 5p	78		-	-	-	-
330	120	-	92	70½	British Petroleum	77	-½	N12.5	1.5	6.0	14.3
§120	F.P.	-	145	131	‡Carron Phoenix 10p	145		R3.5	2.7	3.3	15.1
§100	F.P.	-	113	100	‡Hatfield Estates 10p	111	-2	R1.5	10.2	1.9	7.3
52	F.P.	-	68	62	In Shops 5p	67		R1.3	2.6	2.6	16.9
†	F.P.	12/2	41	35½	‡Konick 10p	35	-½	1.0	2.4	3.9	13.9
§114	F.P.	-	121	115	‡Sykes-Pickavant 10p	118	+2	R5.25	2.0	6.1	11.1
§130	F.P.	-	138	131	TGI Group 1p	128	-3	R4.75	3.0	5.1	9.1
§80	F.P.	-	90	85	‡Titon 5p	85		u2.35	2.7	3.8	13.4
††	F.P.	-	23	18	Verson Intl. 10p	17½	-1	b0.33	2.7	2.6	15.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc Date	1987/88 High	1987/88 Low	Stock	Closing Price £	+ or -
-	-	-	110	90½	Ansbacher(H.)9pc.Cnv.Sub.Ln.1998	107½	+5
-	F.P.	-	132p	129p	Blue Circle 7¾pc Cnv.Cum.Red.Pref.	128p	-1
§91.54	250	11/2	51¼	48¼	Brit.&Comm.10½pc.Un.Ln.2012	50¼	
100	F.P.	-	112p	106p	‡Cityprove 7¾pc. Cum.Cnv.Red.Prf.£1	112p	
‡	F.P.	-	130p	113p	Granada 7.5p Cnv.Prf.	128p	
300	Nil	15/6	13ppm	10ppm	Grt. Prtland. Est. 9½pc.Cv.Uns.Ln 2020	12ppm	-1
100	F.P.-	-	116	108	Morgan Crucible 7.5pc Net.Cv.Cm.Rd.Pf.	114	-1
-	F.P.	-	100¼	100	W'wide Anglia 9⅞pc 23.1.89	100¼	-2
165	Nil	2/3	187p	170p	‡Sharpe & Law 8½pc.Cm.Rd.Pf 10p	170p	
100	F.P.	-	115p	100p	‡Wilraire Fixed Rate Cnv.Cum.Red.Prf.	113p	
-	F.P.	-	131	131	Woolworth 8½pc. Cnv Uns Ln 2000	131	

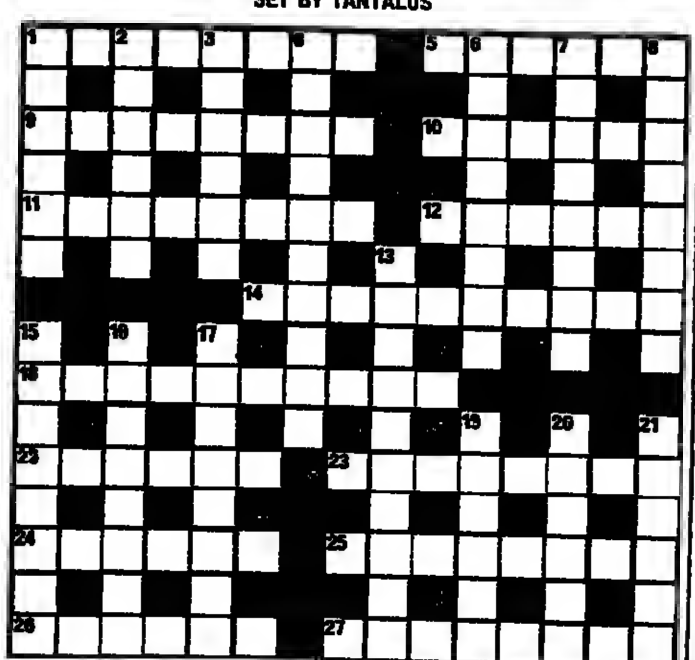
RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc Date	1987/88 High	1987/88 Low	Stock	Closing Price p	+ or -
IR300	Nil	-	70pm	65pm	Cresin (J.)	70pm	
10	Nil	-	1½pm	½pm	‡Modec Group 10p	½pm	-½
26	Nil	-	21pm	18pm	Paringa Mining 5p	20pm	+2
210	Nil	-	50pm	43pm	‡Parkway 5p	50pm	+2
15	Nil	16/3	8½pm	3pm	Verson Intl. 10p	3pm	-½

Renunciation date usually last day for dealing free of stamp duty.a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield .L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988.N Dividend and yield based on prospectus or other official estimates for 1987. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.♥ Issued by tender.♣ Offered to holders of ordinary shares as a rights.† Introduction.§Placing price.†† Reintroduction.♦ Issued in connection with reorganisation merger or takeover.‖ Allotment price.‡ Unlisted securities market.♠ Official London listing.□ Including warrants entitlement.* Third Market.

FT CROSSWORD No.6,550

SET BY TANTALUS



ACROSS

1 and 5 Gamble on this and more in debt - a disaster! (3,5,6)
9 Follow tube to suction part of pump (4-4)
10 Cricketer candid with Queen (6)
11 Be declared keeper (8)
12 Shrub a toper cultivates (6)
14 Employees tend to notice hospital worker (5,5)
18 Slip to Rome in disguise - there's a city! (10)
22 Inexperienced airman returns depressed (6)
23 I tar road perhaps and feel heat from it (8)
24 Lighthouse could be a trick (6)
25 Feldspar could provide aural aid (8)
26 Not odd to follow the Spanish team (6)
27 Swing torch in church-time for musical note (8)

DOWN

1 5 dismissed decree (6)
2 Priest gets 26 right with a panacea (6)
3 Account about wine (6)
4 Once place for commentary (10)
6 A quiet father that's obvious (8)
7 Fellow, a conservative, is the recipient (8)
8 Maybe tether and cut to intimidate (8)
13 Dare Frank and I disturb beef cattle? (10)
15 Before noon I send message to be friendly (8)
16 Yet time for a frame (8)
17 New moon - note change but sameness in colour (8)
19 Wager not well inside soldiers' quarters! (6)
20 Rigid leading performer joins companion (6)
21 Make mistake with worker by wandering (6)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday February 20.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

هكذا من الاصل

FT UNIT TRUST INFORMATION SERVICE

Scimitar Asset Management Ltd
8 Crosby Sq, London EC3A 6AQ 01-588 6993/4/5

Scottish Equitable Fund Mgrs. Ltd(x)
28 St Andrews Sq, Edinburgh 031-556 1051

Scottish Life Investments(x)
19 St Andrew Sq, Edinburgh 031-225 2211

Scottish Mutual Investment Managers Ltd
109 St Vincent St, Glasgow G2 5HN 041-248 4100

Trades Union Unit Trust Managers
100 Wood Street, London EC2 01-606 4285

Tyndall Unit Trust Managers Limited

UK Unit Trust Managers Ltd
Worthing Road, Horsham, RH12 1SL 0403 40033

Unit Trust Account & Mgmt. Ltd
20 Copthall Ave, London, EC2R 7PA 01-588 6064

United Charities Unit Trusts (a)(c)(g)
Unicorn Hse, 252 Romford Rd, EC. 01-534 5544

Vanguard Trust Managers Ltd
65 Holborn Viaduct, London EC1A 2EU 01-236 3053

INSURANCES

[illegible]

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

Phoenix Assurance Co Ltd
Phoenix House, Redcliff Hill, Bristol 0272 294941

Life Assurance Funds				
Wealth Assur.	375.7	395.6	—	–
Eb'r Ph. Eq.	334.1	356.5	—	–
Pension Plan Funds				
Phoenix				
UK Equity Acc.	159.3	167.6	-1.1	–
International Acc.	123.3	129.7	—	–
Property Acc.	123.0	129.4	—	–
Fixed Interest Acc.	151.3	159.2	-0.2	–
Money Acc.	136.0	143.1	+0.2	–
Bldg. Soc. Link Acc.	133.0	139.9	+0.1	–
Special Mngd. Acc.Q	142.0	149.4	-0.6	–
Phoenix/Framlington				
Intnl. Growth Acc.	82.2	86.5	+0.1	–
Amer. & Gen. Acc.	75.9	79.8	+0.2	–
Capital Tst. Acc.	172.3	181.3	-0.3	–
Japan & Gen Acc.	113.5	182.6	+0.7	–
American Turn. Acc.	75.3	79.2	+0.6	–
Recovery Tst. Acc.	160.9	169.3	+0.4	–
Special Mngd Acc.	136.9	144.1	+0.3	–
Phoenix/GT				
International Acc.	118.7	124.9	-0.9	–
US & General Acc.	86.6	91.1	-1.1	–
Amer Spec Sits Acc.	59.2	62.3	-0.6	–
Japan & General Acc.	165.4	174.1	+1.5	–
Far East & Gen. Acc.	133.0	140.0	+0.1	–
UK Capital Acc.	168.7	177.5	-0.7	–
European Acc.	128.4	135.1	+1.1	–
Special Mngd. Acc.	121.1	127.4	-0.4	–

Pioneer Mutual Insurance Co Ltd
16 Crosby Rd. N. Waterloo, Liverpool 051-928 6655

Managed Fund	262.8	276.7	—	–
Man Pens Inc & Cap Fin.	336.4	353.1	—	–
Money Fund	111.1	117.0	—	–
Pens. Mngd Fd (Init)	84.1	88.6	—	–
Pens Mngd Fd (Acc)	94.1	99.1	—	–
Pens FT30 Fd (Init)	126.9	133.6	—	–

Prudential Assurance Co
Holborn Bars, London EC1N 2NH

Pruband		
Managed Feb 3	194.6	[illegible]

Prudential Holborn Life Ltd
30 Old Burlington St, London W1X

Managed Fd.	431.7
Equity Fd.	677.1
Intnl. Fd.	298.3
Fixed Int. Fd.	300.8
Prop. Fd.	309.5
Cash Fd.	239.2
Pacific Basin Fd.	162.3
North American Fd.	116.4
European Fd.	129.0
Holborn Balanced Gwth Fd	96.2
Holborn Strategic Gwth Fd	96.0

Prudential Holborn Pensions
30 Old Burlington St, London W1X

Managed	451.1
Equity	643.2
Global Equity	189.4
Fixed Interest	366.7
Property	302.2
Cash	137.4
Index Linked Gilt	161.1
Guaranteed	8.80
International Money	107.8
North American Fd.	82.5
Japanese Fund	113.7
European Fund	68.7
Special Situations Fd.	93.9
Communications Fund	76.0
Smaller Co. Fund	96.2

Prudential Pensions Limited

[illegible]

MANAGEMENT SERVICES

[illegible]

OFFSHORE AND OVERSEAS

[illegible]

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
10Nov 10May	Exch 10½pc '88	100½	5.10	[illegible]	9.05
14Dec 14Jne	Treas 9¾pc Cv '88	100¾	9.11	[illegible]	9.11
1Jan 1Jul	Transport 3pc '78-88	[illegible]	25.11	[illegible]	6.89
25 Apr 25 Oct	Treas 9½pc '88	100¼	18.9	[illegible]	9.28
22 Aug 22 Feb	Treas 11½pc 1989	102¾xd	18.1	[illegible]	9.23
18 Oct 18 Apr	Treas 9¾pc Cnv 1989	100¾	11.9	[illegible]	9.24
15Nov 15May	Treas 3pc 1989	95¾	9.10	[illegible]	6.39
14Dec 14Jun	Treas 10½pc 1989	101¾	9.11	[illegible]	9.36
1Feb 1Aug	Exch 10pc 1989	100¾	29.12	[illegible]	9.38
29 Mar 29 Sep	Exch 11pc 1989	102¾	24.8	[illegible]	9.41
15 Apr 15 Oct	Treas 5pc 1986-89	95½	8.9	[illegible]	7.54
15 May 15 Nov	Exch 10½pcCv '89	101¾	9.10	[illegible]	8.47
15 Jul 15 Jan	Treas 13pc 1990‡‡	106½	9.12	12.22	9.30
12 Aug 12 Feb	Exch 11pc 1990‡‡	102⅞xd	6.1	10.70	9.40
22 Sep 22 Mar	Exch. 12½pc 1990	105½	17.8	11.81	9.40
8 Nov 8 May	Treas. 3pc 1990	92¾	2.10	3.24	6.95
15 Dec 15 Jun	Treas 8¼pc 1987-90‡‡	98¾	9.11	8.34	8.78
16July 16Jan	Treas. 8pc Cv 1990	99¾	–		
25 Apr 25 Oct	Treas. 10pcCv 1990	101¾	18.9	9.87	9.40
22 May 22 Nov	Exch 2½pc 1990	89¾	16.10	2.80	6.79
10 July 10 Jan	Treas 11¾pc 1991	105¾	4.12	11.09	9.38
5Oct 5Apr	Funding 5¾pc '87-91‡‡	93¾	1.9	6.17	8.24
13 Nov 13 May	Treas. 3pc 1991	88¾	7.10	3.39	7.03
12Jan 12July	Treas 10pc Cv '91 ‡‡	103	7.12	9.69	8.88
25Apr 25Oct	Exch. 11pc 1991	104¾	18.9	10.49	9.38
10Jun 10Dec	Treas. 8pc 1991	95¾	5.11	[illegible]	9.31
22July 22Jan	Treas 12¾pc 1992‡‡	110¾	19.1	[illegible]	9.42
21Aug 21Feb	Treas 10pc 1992	101¾xd	15.1	[illegible]	9.41
13Oct 13Apr	Treas. 8pc 1992 ‡‡	95¾	11.6	[illegible]	9.35
7 Nov 7 May	Treas 10½pc Cv 1992‡‡	103¾	1.9	[illegible]	9.42
11Dec 11Jun	Treas. 3pc 1992	84¾	4.11	[illegible]	7.29
25 Feb 25 Aug	Exch. 12¼pc '92	110xd	19.1	[illegible]	9.46
22Mar 22Sep	Exch 13½pc 1992	114¾	17.8	[illegible]	9.51

Five to Fifteen Years

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
15Oct 15Apr	Treas 10pc 1993‡‡	102¾	8.9	[illegible]	9.45
14Jan 14Jul	Treas 12½pc 1993‡‡	112¾	8.12	[illegible]	9.51
15Mar 15Sep	Funding 6pc 1993‡‡	90¾	10.8	[illegible]	7.98
23May 23Nov	Treas 13¾pc 1993‡‡	118¾	19.10	[illegible]	9.57
1 Sept 1 Mar	Treas 14½pc 1994‡‡	122¾xd	25.1	[illegible]	9.54
27Oct 27Apr	Exch 13½pc 1994	117¾	21.10	[illegible]	9.66
9Dec 9Jun	Treas. 10pc Ln. 1994‡‡	102¾	2.11	[illegible]	9.47
22Feb 22Aug	Exch. 12½pc 1994	111¾xd	18.1	[illegible]	9.67

BRITISH FUNDS – Contd

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
12Jan 12Dec	Exch. 12pc '13-'17	126¼	5.11	9.57	9.36

Undated

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1Feb 1Aug	Consols 4pc	42⅞	29.12	9.33	–
1Jun 1Dec	War Loan 3½pc‡‡	38¾	26.10	9.20	–
1Apr 1Oct	Conv. 3½pc '61 Aft	49¾	25.8	7.03	–
5Apr 5Oct	Treas. 3pc '66 Aft	31¾	1.9	9.47	–
5Ja Ap Jly O	Consols 2½pc	26¾	1.12	9.28	–
1Apr 1Oct	Treas. 2½pc	26¾	25.8	9.28	–

Index-Linked

Interest Due	Stock	Price £	Last xd	(1)	(2)
30 Sep 30 Mar	Treas. 2pc '88 (297.1)	134¾	24.8	–	–
25 Jul 25 Jan	Do. 2pc '90(333.9)	118¾	21.12	0.74	2.06
23Sep 23Mar	Do. 2pc '92‡‡ (385.8)	100¼	17.8	2.05	2.69
16Mar 16Sep	Do. 2pc '96(267.9)	129¾	10.8	3.42	3.75
24Mar 24Sep	Do 2½pc '01 (308.8)	109	18.8	3.72	3.95
20Nov 20May	Do. 2½pc '03(310.7)	106¾	24.10	3.74	3.94
19Jan 19Jly	Do. 2pc '06(274.1)	107⅞	14.12	3.79	3.96
20Nov 20May	Do. 2½pc '09(310.7)	101¾	24.10	3.78	3.94
23Feb 23Aug	Do. 2½pc '11(294.1)	105¾xd	18.1	3.78	3.93
16Feb 16Aug	Do. 2½pc '13(351.9)	87⅞xd	11.1	3.74	3.88
26Jan 26Jly	Do. 2½pc '16(322.0)	94¾	21.12	3.70	3.84
16Oct 16Apr	Do. 2½pc '20 (327.3)	92⅞	9.9	3.64	3.76
17Jan 17Jly	Do. 2½pc '24 ‡‡(385.3)	78⅞	11.12	[illegible]	3.69

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, ie 8 months prior to issue. RPI for May1987:101.9 and for December:1987 103.3

(rebased at 100 January 1987 conversion factor 3.945).

INT. BANK AND O'SEAS GOVT STERLING ISSUES

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
4 Jan 4 Jun	African De Bk 11¼Ln 2010	104⅝	3.12	[illegible]	10.57
24Mar 24Sep	Asian Dev Bk 10¼pcLn2009	100¾	26.8	[illegible]	10.18
28Jan 28Jly	Australia 13½pc 2010	125¾xd	23.12	[illegible]	10.53
26Apr 26Oct	Do. 11¾pcLn2015	108¾	24.9	[illegible]	10.46
23Mar 23Sep	Euro Inv Bk 11pc Ln 2002	107¾	24.8	[illegible]	10.06
22Mar 22Nov	Do. 10¾pc2004	102¾	16.10	[illegible]	10.05
8Jan 8Jul	Int–Am Dev Bk 12½pc 2003	116¾	7.12	[illegible]	10.29
15 May 15 Nov	Do. 9½pcLn 2015	95¾	14.10	[illegible]	10.27
31 Jan 31 Jul	Mlysia 10¾pcLn 2009	98¾xd	23.12	[illegible]	12.02
4May 4Nov	NZ 11¼pc 2008	106¾	5.10	[illegible]	10.47
25May 25Sep	Do 11¼pc 2014	109	26.8	[illegible]	10.47

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

Interest Due	Stock	Price £	Last xd	Div % Gross	Yield
1May 1Nov	Greek 7pc Ass.	45	2.11	3.50	f7.78
1Feb 1Aug	Do. 6pc 28 Stb. Ass.	45xd	1.2	3	f6.67
1Apr 1Oct	Do 4pc Mixed Ass.	45	1.10	2	f4.44
1May	Hung. '24 Ass.	75	1.5	2.75	f3.67
31May 30Nov	Hydro Quebec 15pc 2011	135¾	29.10	15.00	10.81
31Jan 31Jly	Iceland 14½pc Ln 2016	123⅞	4.1	14.50	11.59
1Mar 1Sept	Ireland 9¾pc '91–96	99¾xd	1.2	9.75	9.80

AMERICANS

Dividends Paid	Stock	Price £	Last xd	Div Gross	C'vr	Y'ld Gr's
Fb My Ag Nv	Abbott Laboratories‖	26⅞	12.1	$1.00	–	2.1
F My Ag N	Alcoa $1	23⅞	28.4	$1.20	–	2.8
–	¶Allegheny & W $0.01	575p	–	30c	–	2.9
Mr Jn Se De	Amax $1	9⅞	5'85	–	–	–
Nv Mr Jn Ag	Amdahl 5c	17¾	5.11	20c	–	0.6
Mr Je Se De	Amer. Cyanamid $5	25¾	25.8	$1.05	–	2.3
Fb My Ag Nv	Amer. Express $0.60	14⅞xd	12.1	76c	–	2.8
Fb My Au Nv	Amer. Medical Int. $1	724p	11.1	♦72c	–	5.4
Fb My Ag Nv	American T. & T. $1	16⅞	25.9	$1.20	–	3.9
Fb My Ag Nv	Ameritech $1	53¼	29.12	h$4.72	–	4.9
Mr Jn Se Oc	Amfac‖	18¾	11'84	–	–	–
Mr Jn Se De	Anheuser–Busch $1	17¾xd	–	60c	–	1.9
–	¶AridTech‖	79p	–	–	–	–
Fe My Au No	BankAmerica $1⅝	4⅞	11'85	–	–	–
Ap Jly Oc Jan	Bankers N.Y. $10	20⅛	26.3	$1.66	–	4.5
Mr Jn Se De	BASIX Corp	92p	18.6	12c	–	7.1
Fe My Au No	Bell Atlantic $1	40⅛	25.9	$3.84	–	5.2
Fe My Ap No	BellSouth Corp	23⅛	7.7	$2.20	–	5.2
Mar Jan S D	¶Bethlehem Steel $8	9¾	4.11	–	–	–
–	Bio–Rad Labs. Inc. "A"	859p	–	–	–	–
Oc Ja Ap Jy	Bowater Inc	16⅛	5.6	92c	–	3.0
Ja Ap Jly O	Browning–Ferris 16⅔c	15	15.12	48c	–	1.8
F My Au N	Brunswick $0.75	10⅛	20.1	30c	–	1.6
Jan Ap Jly O	CPC Intnl. 25c	24⅛	25.9	h$1.24	–	2.8
Mr Jn Se De	CSX Corp U.S.$1.00	16⅞	19.8	$1.24	–	4.0
Mr Jn Sp Oc	CalFed Inc $1.00	16⅛	11.8	$1.20	–	4.1
Oc Ja Ap Jy	Campbell Soup 15c	15⅛	4.1	84c	–	3.0
F My Au N	Caterpillar Inc $1.00	33⅛	14.1	75c	–	1.2
Fb My Ag Nv	Chase Manhattan $12.5	12½xd	27.10	$2.16	–	9.1

Continued on next page

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndn Money Mngmt Co Ltd Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	7.65	5.92	8.28	3-mth
CAFCASH 7-day Fund	7.75	5.81	8.14	3-mth
The Charities Deposit Fund 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	8.20	–	8.46	–
Oppenheimer Money Management Ltd 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	8.12	6.21	8.49	6-Mth
7-day Fund	7.86	5.91	8.22	6-Mth
Dollar	5.44	4.09	5.67	3-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
AAB–Allied Arab Bank Ltd 97-101 Cannon St, London, EC4N 5AD 01-629 6802				
HICA, HICMA	8.125	6.110	8.61	Mth
Adam & Co. plc 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Chq Acc	8.00	6.00	8.49	Qtr
Aitken Hume 30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc	7.75	5.83	8.17	Qtr
MobileChq £1000-£5000	7.50	5.64	7.93	Mth
Mth. Int. Chq. £5,000+	7.75	5.83	8.21	Mth
Bank of Ireland 36 Queen St, EC4R 1BN. 01-329 4500				
High Int Cheq Acc	8.638	6.500	8.90	Qtr
£10,000 +	8.970	6.750	9.25	Qtr

UNIT TRUST NOTES

AMERICANS – Contd

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY AND STORES – Contd

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

هكذا من الأصل

LONDON SHARE SERVICE

INSURANCES – Contd

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

MINES – Contd

Tins

Miscellaneous

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
–	M.L. Laboratories 1p	121	–	–	–	–	–
–	Medirace 10p	133	–	–	–	–	–
–	Norton Group 5p	25	–	–	–	–	–
–	♦Omca Gold IR 2p	44	–	–	–	–	–
–	Propeller 1p	30	–	W–	–	–	11.9
–	Publishing Hldgs.5p	17	–	–	–	–	10.2
–	Seacon Hldgs	73	–	–	–	–	11.1
–	Stals Hldgs. 5p	27	–	–	–	–	69.1
–	Swanyard Studios 1p	3¼	–	–	–	–	18.5
June Dec	Theme Holdings	50	27.4	1.0	1.9	2.7	26.8
–	Tomorrows Leisure 20p	31	–	–	–	–	12.4
–	UPL Group 10p	130	–	L2.41	2.8	2.5	19.5
Jan July	Unit Group	140	9.11	R4.6	2.5	4.5	(10.0)
–	Video Tape Recording 5p	85	–	L2.3	2.3	3.7	12.2

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 27 per cent and allow for value of declared distribution and rights.

- ● Tap Stock
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♣ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

♦Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. N Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xR ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	68	
Craig & Rose £1	625	–13
Finlay Pkg. 5p	77	–1
Holt (Jos) 25p	£11½	
IoM Stm. £1	250	

IRISH

Fund 11¼% 1988	£100½	
Nat. 9¾% 84/89	£100½	
Fin. 13% 97/02	£114⅝	
Arnotts	310	
CPI Hldgs	75	
Carrol Inds	148	–2
Hall (R. & H.)	108	
Heton Hldgs	43	
Irish Ropes	120	
Unidare	305	

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	15
BAT	45
BOC Grp	48
BSR	10
BTR	28
Barclays	48
Beecham	46
Blue Circle	42
Boots	26
Bowaters	38
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	24
Cadburys	26
Charter Cons	32
Comm Union	35
Courtaulds	34
FKI Babcock	14
FNFC	25
Gen Accident	85
GEC	15
Glaxo	110
Grand Met	42
GUS 'A'	110
Guardian	87
GKN	30
Hanson	14
Hawker Sidd	48
ICI	100
Jaguar	35
Ladbroke	38
Legal & Gen	30
Lex Service	35
Lloyds Bank	28
Lucas Inds	62
Marks & Spencer	20
Midland Bk	35
Morgan Grenfell	35
NEI	18
Nat West Bk	60
P & O Dfd	52
Plessey	13
Polly Peck	32
Racal Elect	22
RHM	35
Rank Org Ord	60
Reed Intnl	45
STC	25
Sears	14
TI	35
TSB	12
Tesco	16
Thorn EMI	60
Trust Houses	22
T&N	20
Unilever	50
Vickers	18
Wellcome	42
Property	
Brit Land	28
Land Securities	48
MEPC	48
Peachey	40
Oils	
Brit Petroleum	25
Britoil	50
Burmah Oil	45
Charterhall	6
Premier	6
Shell	110
Tricentrol	18
Ultramar	24
Mines	
Cons Gold	100
Lonrho	29
RTZ	38

A selection of Options traded is given on the London Stock Exchange Report Page

CONSTRUCTION CONTRACTS

High Wycombe headquarters for Dun & Bradstreet International

A £31m contract for building headquarters offices, including one of the largest computer rooms in Europe, for Dun and Bradstreet International, has been awarded to TARMAC CONSTRUCTION. Work on the 12-acre site at High Wycombe, Buckinghamshire, is scheduled for completion in about two years.

The contract involves construction of a series of four-storey concrete-framed linked buildings providing 498,000 sq ft of offices, basement parking areas and plant rooms. External walls will be clad with insulated panels and windows in a modular pattern and the interior, will be finished to a high standard. The buildings will incorporate a 40,000 sq ft computer room and staff facilities will include a travel shop, banking facilities, restaurant and coffee shop, fitness centre, health centre and social areas. Landscaping, parking areas, access roads and mains services and sewerage connections are included.

Expansion for M25 motorway

BALFOUR BEATTY CONSTRUCTION has been awarded a £30m contract by the Department of Transport to widen the M25 in Surrey. The work will be carried out over a nine kilometre length of the motorway between a point to the south east of Junction 10, the A3 Wisley turnoff, to just beyond Junction 13, the Staines exit. The width of the motorway is to be increased to four lanes between Junctions 11 and 13, with improvements to slip roads at Junctions 10, 11, and 13, including modifications to the M25/M3 interchange at Junction 12. The work is scheduled to start in early February with completion in the summer of 1989. Balfour Beatty is a BICC company.

Spread of work for Gleeson

M J GLEESON GROUP has started the New Year by securing over £3m of contracts in the north for civil engineering, housing and refurbishment projects, and commenced an £8m road scheme in the south. At Barnsley, the company is to construct a reinforced concrete service reservoir, divide the existing mains, and carry out access and other works at a cost of £1.42m. Completion is scheduled for July 1989.

In Lancashire, a six-year £832,000 contract has been placed to build 35 traditionally constructed houses and flats for Trafford Metropolitan Borough Council.

Refurbishment works include alterations and repairs to a school in Bradford for the Metropolitan Borough Council; and the re-roofing of workshops at a youth custody centre in Hull for HM Prison Service. Together the contracts are worth almost £800,000.

In the south, Gleeson commenced work in January on the construction for the Department of Transport of a 2.7 mile stretch of dual two-lane carriageway on the A3 in Surrey. This is due for completion in 1989.

Laing builds Crown Courts

JOHN LAING CONSTRUCTION's northern region has won a contract (worth nearly £2m) to build the new Middlesbrough Crown Courts. To meet the Lord Chancellor's Department's urgent need for court accommodation in Middlesbrough a "fast track" contracting method has been adopted. The building will comprise 11 Crown Courts, one County Court and anciliary accommodation. It will be four storeys high with a floor area of over 14,000 sq metres. Construction is planned for completion in August 1990.

£17m riverside flats conversion

WATES CONSTRUCTION (LONDON) has secured orders with a total value over £17m. At New Caledonian Wharf, SE16, a 1960s riverside building is being converted into 105 luxury flats for Rosehaugh Copartnership Developments under a £8.5m contract. Foundations are to be strengthened under the four-storey structure which will be stripped back to the concrete frame and then rebuilt with an additional four storeys above. The new building will have a swimming pool and other recreational facilities.

In the City, the company is constructing five-storey offices for Rockfort Land above the Barbican station, which bridges both the London Underground and British Rail tracks. The £3m contract includes construction of a new station entrance. The completed building will include two shop units.

A student residence is to be built at Butlers Wharf, SE1, under a £3.5m contract, for London School of Economics and Political Science. The seven-storey building will provide accommodation for 282 students each with an individual study/bedroom.

In the public sector Wates has a £2.5m contract to build 36 houses for the London Borough of Lewisham on the site of the old St. Winefride's Convent in Mayow Road, SE23.

Luxury accommodation in Croydon

A £10m luxury homes complex with a residents' leisure centre, containing a solarium and gymnasium and an underground car park, is to be constructed at Tavistock Road, Croydon, in a joint venture by the BUXTON GROUP and TRY HOMES.

The two construction and property groups have formed a joint venture company, to be known as Cedar House Securities, to build 94 apartments on a 2.25 acre site at Tavistock Gate. Sale prices for finished homes will range from £72,500 for one-bedroom flats, to £245,000 for four-bedroom penthouse suites. Work on the 64-week first phase, to build 44 homes, is to start soon.

The overall development, which has a security gatehouse, will comprise 26 one-bedroom and 62 two-bedroom apartments, plus six penthouses. Construction will be of traditional load-bearing brickwork with precast concrete floors and pitched, tiled roofs.

Two aerospace building projects

HENRY BOOT has been awarded contracts worth a total of £12.75m. The largest is an order to construct a £7.5m office and production facilities building for McDonnell Douglas Information Systems in Hemel Hempstead. The 70-week project is to be undertaken on a design/construct basis and involves a four-storey building with single-storey ancillary buildings.

Work has started on construction of an international project centre for British Aerospace at Hatfield. In the two-storey building will be a display area, conference room, suite of executive rooms, catering and other facilities. Completion of the £1.8m project is programmed for August.

Offices for the Ministry of Agriculture, Fisheries and Food, Department of Employment, and Department of Health and Social Security, are being constructed in Mill Lane, Beverley, for the Property Services Agency in a £1.7m contract. The premises are part two and part three-storey, and will be completed by April, 1989.

A second floor is to be constructed at roof level in a £1m 33-week programme at the James Beattie departmental store in Sutton Coldfield. Provision of this additional sales floor involves relocation of a kitchen, coffee lounge and dining room, and installation of escalators and a new entrance.

Alteration and refurbishment of Barclays Bank in Market Street, Bradford, is to be carried out in sequenced phases. This £750,000 management contract is scheduled for completion in 44 weeks.

Whatlings wins £11m Scottish orders

WHATLINGS CONSTRUCTION, Alfred McAlpine Construction's Glasgow-based company, has won contracts totalling almost £11m. They include contracts for: the A9 Dunbeath diversion on the London-Edinburgh-Thurso trunk road, for the Scottish Development Department, worth £3.6m; refurbishment of offices, shops, warehouse, flat accommodation, restaurant and bistro at the Italian Centre, Glasgow, for Classical House, worth £3.5m; a health centre, at Castlemilk, Glasgow, for Greater Glasgow Health Board, worth £1m; and housing refurbishment, at Kenmoway Drive, Glasgow, for Glasgow District Council, worth £1m.

Others include: a new showroom for Reids Furniture, Birkenshaw Industrial Estate, Uddington, for the Scottish Development Agency, worth £737,000; housing at Glasgow Street, Dumfries, for Loreburn Housing Association, worth £500,000; sheltered housing at Hoddom School site, Ecclefechan, for Loreburn Housing Association, worth £380,000; general works at Victoria Halls, Annan, for Annandale & Eskdale District Council, worth £100,000; upgrading of the old Gala House at Galasheils for Ettrick & Lauderdale District Council, worth £97,000.

DIARY DATES

Business and Management Conferences

February 8-9
Financial Times Conferences: The European Food and Drink Industry (01-925 2323)
Hotel Inter-Continental, London W1

February 9-10
Frost & Sullivan: Fibre optics in communications systems (01-730 3438)
Portman Hotel, London W1

February 10-11
Euromoney: Financial Law (01-236 3288)
Hotel Inter-Continental, London W1

February 11,12,15
Financial Times City seminar (01-925 2323)
Plaisterers Hall, London EC2

February 11-12
The Biscuit Cake Chocolate & Confectionery Alliance: 35th technology conference (01-631 3434)
Connaught Rooms, London WC2

February 15
Financial Times Confrence: The London Motor Conference - Manufacturing, Components and the Aftermarket (01- 925 2323)
Hotel Inter-Continental, London W1

February 17-18
Financial Times Conferences: Cable television and satellite broadcasting (01-925 2323)
Hotel Inter-Continental, London W1

February 18
Drummonds for Conferences: Finance Direct 88 – Direct Marketing Services for Financial Marketeers (05806 6161)
Marriott Hotel, London, W1

February 22
Legal Studies and Services: Disqualification and personal liability (01-236 4080)
Gloucester Hotel, London SW7

February 24
The Economist: Marketing financial services (01- 839 7000)
Marriott Hotel, London, W1

February 25
CBI Conferences: The defence markets you are missing (01-379 7400)
Centre Point, London

February 29
Longman Seminars: Auditing and accounting of pension schemes (01- 242 4111)
Hotel Inter-Continental, London W1

February 29–March 2
Metal Bulletin Conferences: Third Secondary Aluminium Conference (01- 330 4311)
Tara Hotel, London, W8

March 1
Tolley Publishing Company: Timber Trading 88 conference (01-680 5682)
Royal Garden Hotel, London W8

March 3
General meeting of the Institution of Mining and Metallurgy (01- 580 3802)
Barlington House, London W1

March 3
CBI Conferences: Lifting the barriers to Europe (01- 379 7400)
Centre Point, London WC1

March 12
Wye College: A return to the land? (0233 812401)
Ashford, Kent

March 16
Institute of Directors: Do you have an identity crisis? (01-839 1233)
116 Pall Mall, London SW1

March 15
Electronic Publishing Services: Evaluating investment and acquisition opportunities in the information industries (01- 490 1185)
The City Conference Centre, London EC3

March 24-25
Financial Times Conferences: Technology in the international securities markets (01- 925 2323)
Hotel Inter-Continental, London W1

Trade Fairs and Exhibitions: UK

Current
International Spring Fair - Hardware and Housewares Show (0604 22023) (until February 11)
NEC, Birmingham

February 9-10
USM exhibition and conference (01-493 0000)
Chiswell Street, London

February 10-12
Energy exhibition (01- 660 8008)
Harrogate

February 11-14
Crufts Dog Show (01- 493 7838)
Earls Court

February 14-16
International Automotive Parts and Accessories Trade Show - 0AUTOPARTAC (01-856 7777)
Olympia

February 17-18
Northern Building Services and Energy Management Show (01-680 7525)
G-Mex Centre, Manchester

February 20-28
Boat, Caravan & Leisure Show (021- 236 3366)
NEC, Birmingham

February 21-24
International Men's and Boys' Wear Exhibition - IMBEX (01-940 6065)
Olympia

February 25-28
Cable and Satellite Exhibition (01-486 1951)
Wembley Conference Centre

February 29- March 4
International Electrical and Electronic Exhibition - ELECTREX (0483- 222888)
NEC, Birmingham

March 1-6
British National Stamp Exhibition (01- 930 6455)
Horticultural Halls, London

March 3-5
Entrepreneur's Exhibition (01- 493 0000)
Business Design Centre, London

March 6-8
Fast Food Fair (01- 948 9900)
G-Mex Centre, Manchester

Overseas Exhibitions

Current
International Toy Fair (01- 460 2235) (until February 10)
Nuremberg

Current
Air Transport, Airport Services & Cargo Handling Exhibition - ARAB AIR (01-935 8537) (until February 10)
Dubai

February 10-14
Instrumentation and Scientific Control Equipment Exhibition - INSTRUMENTATION TURKEY (01-486 1951)
Istanbul

February 20-24
International Trade Fair (Consumer Goods) (01-734 0543)
Frankfurt

February 23- March 5
Mechanical Components Exhibition - MECANELEM (01-225 5566)
Paris

March 8-12
International Business Show (01- 486 1951)
Tokyo

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes in the details published

FINANCIAL

TODAY
COMPANY MEETINGS–
McCarthy & Stone, Homemaker House, Capsto Road, Watford, Herts, 12.00
Medlprint, 43, Cobham Road, Ferndown Industrial Estate, Wimborne, Dorset, 11.00
BOARD MEETINGS–
Finals:
Cons. Tern Ws.
Dowlais Printing Schemes
Interims:
Helton Hidgs.
Nichols Moore
DIVIDEND & INTEREST PAYMENTS–
Bank of Tokyo (Curacao) Gtd. Flg. Rate Nts. Feb. 1991 $166.86
[illegible]
TOMORROW
COMPANY MEETINGS–
[illegible]
BOARD MEETINGS–
[illegible]
DIVIDEND & INTEREST PAYMENTS–
[illegible]
WEDNESDAY FEBRUARY 10
COMPANY MEETINGS–
[illegible]
BOARD MEETINGS–
[illegible]
DIVIDEND & INTEREST PAYMENTS–
[illegible]
THURSDAY FEBRUARY 11
COMPANY MEETINGS–
[illegible]
BOARD MEETINGS–
[illegible]
DIVIDEND & INTEREST PAYMENTS–
[illegible]
FRIDAY FEBRUARY 12
COMPANY MEETINGS–
[illegible]
BOARD MEETINGS–
[illegible]
DIVIDEND & INTEREST PAYMENTS–
[illegible]
SATURDAY FEBRUARY 13
DIVIDEND & INTEREST PAYMENTS–
[illegible]
M. & G. European & General 9.1p

PARLIAMENT

Commons: Employment Bill, progress on remaining stages. Motion on Local Government Act (Police and Fire and Civil Defence Authorities) precepts limitation order.
Lords: Arms Control and Disarmament (Privileges and Immunities) Bill, third reading. Legal Aid Bill, report. Motion on the industrial training levy (Engineering Board) order.
Select committees: Trade and Industry – subject: Information technology. Witnesses: DTI officials. (Room 15, 10.15 am) Foreign affairs – subject: Gulf issues. Witnesses: [illegible] (Room 16, 10.30 am) Energy – subject: The structure, regulation and economic consequences of electricity supply in the private sector. Witnesses: Lord Marshall of Goring, chairman and officials of the CEGB (Room 8, 11 am) Home affairs – subject: Broadcasting. Witnesses: Cable Authority, Cable Television Association (Room 15, 4.15 pm)

TOMORROW
Commons: Debate on a motion on televising the proceedings of the House. Motions on local passenger transport orders.
Lords: Social Security Bill, Committee.
Select committees: Transport – subject: decline in the UK-registered merchant fleet. Witnesses: Department of Transport, Ministry of Defence, and Treasury officials (Room 17, 5 pm). Social Services – subject: Resourcing the NHS. Witness: Dr Kenneth Grant (Room 21, 5 pm)
Public accounts – subject: IBA levy arrangements; land registry. Witnesses: Sir Brian Cubbon, Home Office, Mr J Whitney, IBA; Mr E Pryer, Land Registry. (Room 16, 4.15 pm)
Environment – subject: Air pollution. Witnesses: Representatives from the Norwegian, Swedish and West German governments (Room 21, 4.30 pm)

WEDNESDAY
Commons: Employment Bill, completion of remaining stages.
Lords: Short debate on case for bringing the secret services under greater control and accountability. Short debate on the effect of pseudo-religious cults on family life and young people. Motion on the EEC report on agricultural stabilisers.

THURSDAY
Commons: Debate on the Royal Air Force.
Lords: Social Security Bill, committee. Land Registration Bill, report.
Select committees: Standing orders; subject – Brighton and Preston Cemetery Bill (Room 13, 11.0 am)

FRIDAY
Commons: Private Members Bills.

WORLD STOCK MARKETS

AUSTRIA

BELGIUM/LUXEMBOURG

DENMARK

FINLAND

FRANCE

JAPAN

FRANCE (continued)

GERMANY

ITALY

NETHERLANDS

NORWAY

SPAIN

SWEDEN

SWITZERLAND

SOUTH AFRICA

AUSTRALIA

AUSTRALIA (continued)

HONG KONG

SINGAPORE

[illegible]

CANADA

TORONTO

Closing prices February 5

Sales	Stock	High	Low	Close	Chng
1802	AMCA Int	$7¾	7½	7¾	+¼
5493	Abitibi Pr	$24⅝	24⅛	24½	−¼
22875	Agnico E	$15⅜	15	15	−⅜
99503	Alberta En	$17¼	16⅞	17¼	+⅜
9850	Alberta N	$15	14⅝	14¾	+¼
274047	Alcan	$32¼	31¼	31⅝	−⅜
6221	Algoma St	$15	14¾	14⅞	+⅜
18950	Asamera	$8⅛	7⅞	8	−⅛
4906	Atco I f	$10⅛	10	10⅛	+⅜
2400	Atco 9	$10	10	10	
358568	BCE Inc	$38	37⅝	38	+¼
28987	BC Bancor	73	73	73	
2545	BC Sugar A	$28½	28½	28⅜	
5670	BGR A	$10⅛	10	[illegible]	
1703	BP Canada	$18	18	18	
1800	Banister C	$9	9	9	+½
41037	Bk Montl	$26⅛	25¾	26	
248422	Bk NScot	$12⅜	12⅛	12⅜	+¼
1400	Baton	$12⅝	12⅝	12⅝	+⅛
141287	Bow Valy	$15	14⅞	15	+⅛
72450	Bramalea	$20	19¾	19¾	−¼
45750	Brascan A	$24	23¾	23⅞	+⅛

[illegible]

MONTREAL

Closing prices February 5

[illegible]

Total Sales 5,270,574 shares

OVER-THE-COUNTER

Nasdaq national market, Closing prices, February 5

Continued from Page 31

[illegible]

INDICES

NEW YORK — DOW JONES

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

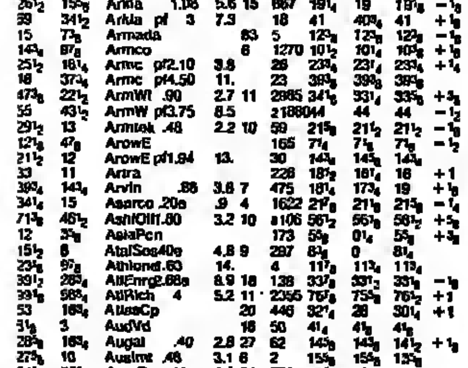
CANADA

[illegible]

Closing prices, February 5

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
25 5/8	14	AAR s	.36	1.9	16	548	19	18 1/2	18 1/2	−3/8
32 1/2	21	AFG s	.16	.7	10	621	24 1/4	24	24 1/8	−1/8
27	10 1/2	AGS s			12	65	14	13 1/2	13 3/4	+3/8
10 1/8	9	AMCA				1	6 1/4	6 1/4	6 1/4	+1/8
9 3/8	3 1/4	AM Intl			30	2089	4 3/8	4 1/4	4 1/4	
65 1/2	26 3/4	AMR			11	3542	35 3/4	34 3/8	34 1/2	−1
12 1/4	6 3/8	ARX s			8	77	8 1/8	8	8	−1/8
73 1/2	39 1/2	ASA	2a	4.4		573	45 5/8	44 1/2	45 1/2	+1/8
22 3/8	9 1/2	AVX			17	68	13 3/8	13 1/8	13 1/8	−1/4
67	46	AbtLab	1	2.1	17	2034	47 1/8	46 1/2	46 5/8	−1/4
28	15 3/8	Abitibi g				26	19 3/8	19 3/8	19 3/8	−1/4
10 1/2	6 3/4	AcmeE .32b		3.7	24	3	8 3/4	8 5/8	8 3/4	+1/4
20	15 7/8	AdaEx 3.05e		20.		111	15 7/8	15 1/2	15 5/8	−1/8
19 1/2	6 7/8	AdamMB4		1.9	10	410	12 3/4	11 5/8	12 1/2	+1
24 7/8	7 1/2	AMD				2272	8 7/8	9 3/8	9 3/4	+1/2
56 3/4	29 1/4	AMD pf	3	9.1		1	33	33	33	
11 7/8	4 5/8	Adobe			10	103	8 7/8	9	8 7/8	+3/8
20 1/2	16 1/4	Adob pf 1.84		11.		16	17 1/8	17 1/8	17 1/8	+1/8
21 7/8	17 1/2	Adob pf 2.40		12.		58	20 1/2	20 1/4	20 1/2	+1/4
15	6 1/8	Advest .12a		1.7	7	14	7	6 7/8	6 7/8	
66 1/4	43 1/2	AetnL1 2.76		5.8	0	1858	48 1/8	47 1/4	47 3/8	−1/8
83 1/2	41	AffilPub .40		.7	8	133	56 3/8	55	55	−1/2
25 7/8	13	Ahmans88		5.1	8	1300	18	17 1/4	17 3/8	−1/2
5 3/8	1 3/8	Aileen				21	2	2	2	
53 7/8	29	AirPrd	1	2.4	13	992	42	41 1/4	41 3/8	−1/8
36	11 1/8	AirbFrt .60		4.0	17	1329	15 1/8	14 7/8	15	+1/8
10 1/2	6 3/4	Airgas			13	111	10 1/4	10 1/4	10 1/4	−1/4
19 1/2	13 1/2	Airlease 1.16e		12.	19	74	18 3/8	18 1/4	18 3/8	−1/8
15-32	5-16	AlMoan			38	2	3/8	3/8	3/8	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17⅞	7½	PacRes20e		2	1321	171	9⅝	9½	9⅝	−⅛
27	19	PacRs pf	2	9.5		28	21¼	21	21	−¼
20¼	9¾	PacSci	.40	3.6	17	25	11½	11⅛	11⅛	−⅛
33¾	22½	PacTele	1.64	5.6	13	4994	29⅜	29⅛	29¼	+⅛
37⅞	26¾	PacEnt	2.52	7.3	9	328	34⅝	34⅜	34½	
26⅞	6¾	PacoPh			42	180	15⅛	15⅛	15⅛	−⅛
39⅛	13⅞	PainWb	.52	3.3	7	672	16	15⅝	15⅞	+⅛
26½	12¾	PainW pf	1.37	8.6		94	15⅞	15¾	15⅞	+⅛
8¼	2⅝	PanAm				2775	2⅞	2¾	2⅞	+⅛
2	7-16	PanA wt				30	¾	11-16	11-16	−1-16
34⅝	16¼	PanECn	2	7.8		1955	25⅞	25¼	25⅝	+⅜
20⅝	6½	PanHl			6	598	6⅞	6½	6½	−¼
27¾	10⅛	Panepls	.16	1.1	15	180	15	14⅞	15	+⅛
27¼	12⅛	ParPh s			10	145	20⅜	20	20⅛	+¼
16½	4¾	ParTch			7	88	6⅝	6	6⅛	+⅛
6¾	3½	Pardyn				70	4⅜	4⅛	4¼	
24½	12	ParkEl	.16	1.1	11	35	15⅛	15	15	
6⅞	2½	ParkDrl		.3		2080	3⅝	3¾	3⅝	+⅜
49	24½	ParkHn	.84	2.6	17	1078	34¼	33⅞	33⅞	
5⅛	2⅞	PatPtr			76	823	4	3⅞	3⅞	−⅛
10⅝	3⅝	Patten	.08i	1.8	7	370	4⅞	4⅝	4⅞	+¼
21½	11⅞	PayNP			12	104	14⅛	14	14⅛	+¼
26⅞	9⅝	PayCsh	.16	1.2	18	306	13⅛	13	13	
60½	37	PenCen	.05	.1	49	.355	43⅝	42⅝	42⅝	−⅜
60	20¼	Penney	s1.48	3.6	10	1378	42	41¼	41⅜	−⅝
41⅞	28⅝	PaPL	2.68	7.1	11	280	37¾	37½	37½	+⅛
58¼	43	PaPL	pf4.40	8.0		z720	u56¾	60	55	+5⅛
90⅛	74	PaPL	pr 8	9.8		z20	83½	80½	83½	
68¼	34¾	PenwR	2.40	5.1	12	376	47¼	46¾	46⅞	
100⅞	68½	Penw	pr2.50	3.6		1	70	70	70	+3
30⅛	20½	Penw	pr1.50	6.7		6	20	28	28	+½

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
55	60	Xerox	3	5.6	10	2558	54⅛	53½	53⅝	+⅛
58¼	52½	Xerox	pf5.45	10.		855	53⅞	53¼	53¼	−⅛
51⅛	19⅛	XTRA	.64	2.3	14	30	27⅜	27⅛	27¼	+¼
28¼	19½	XTRA	pf1.94	7.7		1	25¼	25¼	25¼	
33⅞	17½	Yorkin			11	293	27	25¼	25⅝	+15
7¼	2⅛	Zapata				839	3¼	5⅛	3⅛	+⅛
37	13½	Zayre	.40	2.2	7	3871	19½	18¼	18¼	−⅜
33⅝	10	ZenithE				1235	15⅛	14⅞	15	+⅛
13½	2½	ZenLab				187	3	2⅞	3	+½
25½	13½	ZenNtl	.80	4.5	9	87	17⅞	17½	17½	+½
20⅝	11⅜	Zero	.36	2.4	15	208	15⅛	14⅞	14⅞	
30¾	15	Zurnin s	.68	3.1	14	67	22½	21⅝	21⅝	−1
10⅝	7⅜	Zweig	1.08e	11.		556	6½	6⅜	6½	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls - sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, February 5

Stock	Div	P/E	Sls 100s	High	Low	Close	Chng
CrCPB			11	12½	12¼	12½	
CwCpfD2.25			4	22½	22½	22½	
Cubic	.39	13	42	14	13⅞	13⅞	−¼
Custmd			107	1¼	1¼	1¼	
D D							
DI Intl			38	1⅝	1½	1½	−⅛
DWG		8	125	6⅞	6¾	6⅞	
Damson			2869	⅛	3-32	⅛	
DataPd	.10		57	7¾	7⅝	7⅝	−⅛
Delmed			201	⅞	13-16	⅞	+1-16
Dillard	.16	14	274	34½	34	34½	+¼
HomeSh		13	1189	4⅛	3⅞	4	−⅛
Honybe		7	80	6	6	6	+⅛
Hormels	.36	20	247	24½	24¼	24¼	−¼
HrnHar		8	1204	8	8¾	8¾	
HouOT		4	44	⅞	⅜	⅞	
HovnEs		19	228	11¼	10⅞	11¼	
I I							
ICH		5	275	7¾	7½	7½	
ISS	.16	14	3	5⅝	5⅝	5⅝	+¼
ImpOilg	1.80		157	44⅞	43⅞	44⅝	+⅝
O P Q							
OEA		13	7	20⅞	20⅞	20⅞	−⅛
OdetB		49	12	6½	6⅜	6⅜	
OOklep	.20e		17	9¼	8⅛	9¼	+¼
PallCp	.40	20	416	27⅜	26½	26½	−⅝
PtHeat	1.26e		2	15⅜	15⅜	15⅜	+⅛
PhlLDs	.08i	3	209	6¾	6⅝	6⅝	−⅛
Pittway	1.80	12	5	78½	77½	77½	−¼
PopeEv			41	¾	¾	¾	
PresdA	.10		11	5¼	5⅛	5¼	+¼
PrcCms			34	9	8¾	8¾	−⅛
Wthlrd			114	1⅜	1½	1½	−⅛
Wellco	.25	5	5	12⅞	12½	12⅞	+½
WellAm		4	5	1½	1½	1½	−⅛
WelGrd			11	4¼	4⅜	4½	
WDigl0		7	412	11¾	11¼	11¼	+¼
WhrEnt	.05e	48	18	14	14	14	
WichRv			20	2⅛	2⅛	2⅛	
Worthn			71	6⅛	6⅝	6⅞	+¼
X Y Z							
Zimer		5	1⅜	1⅜	1⅝		

OVER-THE-COUNTER

Nasdaq national market, Closing prices February 5

Stock		Sales (Hnds)	High	Low	Last	Chng
A&WBd	150	2	12¼	12	12	−¼
ADCs	14	170	17½	17	17	−½
ASK	18	305	16½	10¼	16½	+⅜
AST	13	827	9¼	8¾	9	+¼
Acmds	25	105	13½	13¼	13½	
Acusn	20	251	18¾	18¼	18¼	−¼
Adapt	8	65	5¼	5⅛	5¼	+⅛
AdiaSv .10	17	55	17¼	16⅝	16⅝	−¾
AdobSs	28	623	24¾	23⅝	24⅝	+⅜
AdvTel	15	94	14¼	14	14	
Advanta	2	40	2⅞	2¾	2¾	
AdvoSy		761	5⅞	5⅝	5¾	+⅛
CinnFn1.52b	8	391	42¾	42¼	42¾	
Cintas	24	248	28⅝	27¾	28⅛	−⅜
Cipher	20	127	7½	7¼	7¼	
CirclEx	8	32	6⅛	5⅝	5¾	−¼
CtzSoCp1.12	10	404	25⅜	25⅛	25⅛	+⅛
CtzFGs .60	9	700	17⅞	17½	17⅝	
CtzU As	20	331	30¾	29¾	30¼	+¼
CityFed .04	21	176	5⅛	5	5⅛	+⅛
CtyNC .84b	12	210	24¼	24	24¼	+¼
CityBcp1.12	8	178	41½	40⅝	41½	+1¼
Clarcor 1	13	358	30½	29¾	30¼	+⅛
Cloth	8	1012	5⅜	5¼	5¼	
FSecC 1.10	11	244	24½	23¾	24	+¼
FtSvBk	7	36	9	8½	8½	
FTenns 1.24	11	184	25⅜	25	25⅛	−¼
FstUCs .80	9	2468	22⅝	22	22⅝	+¼
FtWFn .28	8	229	7¾	7½	7⅝	
Firstar 1.10	8	40	34	33½	34	+1¼
Fiserv	20	9	18½	18	18½	+½
FishSci		83	17	16¾	16⅞	−⅛
FlaFdl		2748	4⅝	4½	4⅝	+⅛
FlaNBF .48	12	960	14¼	13¾	14⅛	−⅛
Fonare	15	693	2	1 15-16	1 15-16	
FLioAs .07	48	1173	11⅛	11	11⅛	+⅛
LaPete	29	192	16⅞	15⅞	16⅞	+¼
Lacang		268	7	d 6⅝	6⅞	−⅛
LaddFr.20e	8	267	11⅛	11½	11¾	+¼
LdlTB s .20	81	1080	13½	12¾	13	−⅛
LamRs		10	5⅛	5⅛	5⅞	
Lancsts.68b	12	338	18	17¼	17¾	+½
Lances .64	16	209	18½	17¾	18½	+½
Lawsns .32	18	39	30½	30	30	
LeeDta		355	3¼	3⅛	3⅛	−⅛
Liebr	13	540	15½	14¾	15¼	+1
LteTch	14	25	11⅜	11	11	−¼
LinBrds	32	1458	48½	47	46⅞	+1¼

Continued on Page 29

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar's short term gains unlikely to last

BY COLIN MILLHAM

US ECONOMIC news left financial markets in something of a dilemma last Friday, as economists tried to decide the implications of US employment data for January.

Attention focused on the rise in non-farm payrolls. This was the first important US economic figure of the New Year, and was looked at to give guidance on whether there will be a sharp fall in US growth this quarter.

The high level of stock building in the fourth quarter GNP figure led to speculation that growth will fall, and could even be the herald of a recession.

Non-farm employment rose 311,000 in December, and was expected to fall back sharply, but the figure of 107,000 in January was still a surprise.

After some initial doubt the impact on the dollar was positive, although it was far from clear whether this would be long lived.

Mr Rupert Thompson, US economist, at Morgan Grenfell, said the market is not capable of concentrating on more than one thing at a time, and the obvious result of the employment data was very bullish for US Treasury bonds.

The surge in bond prices increased demand for the dollar. But the other side of the coin points to lower US interest rates, in an attempt to head off a recession, and this in turn may be depressing for the dollar.

This could be quite an important week, since it will contain news on US retail sales Thursday and the December US trade figures Friday.

The Federal Open Market Committee meets Tuesday, and will be able to decide whether recent events warrant easier monetary policy.

Mr Thompson points out that recent US economic news has beeo very weak, including the inventories level in fourth quarter GNP; three consecutive monthly falls in leading indicators; and the employment data.

He believes there is a chance the FOMC will agree to soften its credit stance. Mr Marc Hendricks, senior economist at Barings economics unit, says he expects the Federal Reserve to take a cautious view and wait for more news on the economy, although he suggests the US Treasury is pushing for a rate cut.

Mr Neil MacKinnon, ecooomist at Nomura Research Institute, believes the Fed will cut its discount rate, but not until later in the year.

Like many economists Mr MacKinnon expects early dollar strength to be followed by a weakening later in the year.

Nomura, and James Capel are looking for a December US trade deficit of $13.5bn. Phillips and Drew expects $12.4bn, while Morgan Grenfell, and Baring Brothers forecast $12bn. The November deficit was $13.2bn.

Mr MacKinnon points out that equally interesting news will be provided by the Japanese January trade figures, also likely to be published Friday. He suggests there may be a 42 p.c. rise in year on year Japanese imports, and a fall in the Japanese trade surplus to $0.8bn, from $4.3bn at the same time last year.

Mr Geoffrey Dennis, international economist, at James Capel, argues that an improvement in the US trade deficit during the year will not be good enough to prevent the dollar weakening.

Mr Patrick Foley, deputy chief economic adviser at Lloyds Bank agrees, and says the dollar needs to fall further if the US is to achieve eventual current account balance, or even a manageable deficit.

£ IN NEW YORK

Feb.5	Close	Previous Close
£ Spot	1.7525-1.7535	1.7690-1.7700
1 month	0.32-0.30pm	0.29-0.28pm
3 months	0.95-0.92pm	0.94-0.92pm
12 months	3.75-3.65pm	3.60-3.52pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Feb.5	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.2065	+1.76	+1.02	±1.5344
Danish Krone	7.85212	7.89203	+0.51	-0.23	±1.5404
German D-Mark	2.05853	2.06546	+0.34	-0.40	±1.0981
French Franc	6.90403	6.97605	+1.04	+0.30	±1.3674
Dutch Guilder	2.31943	2.31937	-0.01	-0.75	±1.5012
Irish Punt	0.768411	0.776216	+1.02	+0.28	±1.6689
Italian Lira	1483.58	1520.52	+2.49	+2.19	±4.0752

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
116	3.33	4.39	0.09	1.19
118	1.55	3.23	0.31	2.03
120	0.46	2.23	1.22	3.03
122	0.12	1.36	2.52	4.16
124	0.04	1.00	4.44	5.44
126	0.02	0.42	6.42	7.22
128	0.00	0.26	8.40	9.06
130	0.00	0.15	10.40	10.59

Estimated volume total, Calls 3676 Puts 2958
Previous day's open int: Calls 44835 Puts 29423

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
82	13.18	12.21	0.00	0.13
84	11.18	10.32	0.00	0.24
86	9.18	8.50	0.00	0.42
88	7.20	7.06	0.02	0.62
90	5.22	5.32	0.04	1.24
92	3.29	4.08	0.11	2.00
94	1.51	2.58	0.33	2.50
96	0.45	2.04	1.27	3.60

Estimated volume total, Calls 195 Puts 397
Previous day's open int: Calls 1468 Puts 1668

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Feb	Calls-settlements Mar	Puts-settlements Feb	Puts-settlements Mar
16000	12.28	13.32	0.33	1.87
16500	8.02	10.25	1.07	3.30
17000	4.61	7.27	2.66	5.32
17500	2.29	4.93	5.34	7.98
18000	0.96	3.19	9.01	11.24
18500	0.34	1.97	13.39	15.02
19000	0.10	1.16	18.15	19.21
19500	0.03	0.65	23.08	23.70

Estimated volume total, Calls 3 Puts 0
Previous day's open int: Calls 12 Puts 77

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

Feb.5	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
S Fr.	0.410	0.720	1.221	92.75	4.123	1	1.372	898.8	0.911	25.53
H Fl.	0.299	0.524	0.890	67.59	3.005	0.729	1	655.0	0.664	18.61
Lira	0.456	0.801	1.359	103.2	4.587	1.113	1.527	1000.	1.013	28.41
C $	0.450	0.790	1.341	101.8	4.527	1.098	1.507	986.9	1	28.04
B Fr.	1.605	2.819	4.783	363.2	16.15	3.917	5.374	3520	3.567	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.7556	1.7527	1.7456	1.7348	1.7150
D-mark	2.9800	2.9669	2.9375	2.8968	2.8117
French Fr.	10.060	10.059	10.058	10.056	10.050
Swiss Fr.	2.4400	2.4245	2.3941	2.3536	2.2791
Yen	226.25	225.35	225.41	220.49	214.61

LIFFE-STERLING £25,000 $ per £

	Close	High	Low	Prev.
Mar	1.7493	1.7616	1.7596	1.7565
Jun	1.7385	-	-	1.7470
Sep	1.7272	1.7272	1.7272	1.7380

Estimated volume 4(36)
Previous day's open int. 217(253)

MONEY MARKETS

Inflation to stay under control

NEWS ON UK inflation is likely to be encouraging this week, according to City economists. Strong economic growth and pressure in the labour market, illustrated by disputes involving seamen, hospital staff, and Ford workers, have not yet fed through to the underlying figures, according to Mr Stephen Hannah, economist at County NatWest.

He expects the inflation prospects to remain good, in spite of the UK being at the top of an economic cycle.

UK clearing bank base lending rate 9 per cent from February 2

Forecasts for today's January producer input prices range from 0.6 p.c. to 1.1 p.c., and for output prices from 0.6 p.c. to 0.7 p.c. The year oo year rise in output prices is expected to remain steady at 3.7 p.c. to 3.8 p.c.

The January retail prices index will be published Friday, and should benefit from the impact of the January sales and the residual part of lower mortgage rates.

The monthly rise will be 0.2 p.c. according to County NatWest, Greenwell Montagu, and James Capel; 0.3 p.c. on the forecast of Credit Suisse First Boston; and 0.4 p.c. according to Phillips and Drew, and Morgan Grenfell.

Year on year inflation will fall to 3.5 p.c. on the more optimistic forecast, or remain at 3.7 p.c., but is expected to remain under control.

The market will also concentrate oo Thursday's publication of the Bank of England quarterly bulletin, for hints oo interest rate policy, following last week's surprising rise in bank base rates.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb.5) 3 months US dollars		6 months US Dollars	
bid 6¾	offer 6⅞	bid 6⅞	offer 6⅞

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

WEEKLY CHANGE IN WORLD INTEREST RATES

MONEY RATES

NEW YORK (4pm)

		Treasury Bills and Bonds			
Prime rate	8½	One month	4.83	Three year	7.35
Broker loan rate	8	Two month	5.45	Four year	7.40
Fed.funds	6⅝	Three month	5.80	Five year	7.67
Fed.funds at intervention	6½	Six month	6.18	Seven year	7.95
		One year	6.52	10-year	8.13
		Two year	7.15	30-year	8.31

Feb.5	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	3.20-3.30	3.15-3.25	3.20-3.30	3.20-3.35	3.25-3.40	4.50
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.50
Zurich	[illegible]	[illegible]	-	[illegible]	-	-
Amsterdam	[illegible]	[illegible]	-	[illegible]	-	-
Tokyo	3.53125	3.71875	-	3.84375	-	-

LONDON MONEY RATES

EUROPEAN OPTIONS EXCHANGE

BASE LENDING RATES

FT – ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

SECTION III

FINANCIAL TIMES SURVEY

On an African latitude, closely linked to Britain while part of Portugal, Madeira has ambitions of becoming Europe's latest financial centre. An industrial free zone and plans for offshore financial services are part of an effort to depend less on tourism and agriculture, reports **David White**

In Europe but out of Africa

Funchal flowers: the importance of commercial growing has been increasing and there is potential for expanded EC trade

MADEIRA

CONTENTS

THE NAME Madeira has a special place in our vocabulary. Because of a series of historical accidents the island, the main one of a small group on roughly the same latitude as Casablanca, is more closely linked with Britain than with any other country except Portugal, of which it is part.

Much like the wine which made it a household name, and which has never regained its one-time popnlarity, Madeira conjures np a slightly passe image: languid, lnxuriant, genteel. Today's visitors – not, some old Anglo-Madeirans say with regret, quite the same sort of people as there used to be – will find enough that corresponds with the image: the flower-scented tranquillity, the equable year-round climate, the old-fashioned English formality of Reid's Hotel or the Savoy in the balmy capital, Funchal.

Even the astonishing landscape of Madeira island, formed by volcanic action, erosion and the work of human hands that have carved out terraces and irrigation channels on the sides of precipitous ravines, appears to have been custom-made for romantic etchings.

But a population of 270,000 cannot live off Winston-Churchill-came-here nostalgia, and cannot afford to rely totally on a business as fickle as tourism.

Two years inside the European Community, where it belongs on essentially the same basis as the rest of Portugal, have brought in more funds, mnch needed for roads and other infrastructure, but have also awakened Madeira to the vulnerability of its agriculture-based productive economy. In eight years the protection provided for farmers in Portugal's transitional entry terms will end.

This is not only one of the farthest-flung parts of the EC, but also, as air passengers arriving for the first time at Madeira'e airport become immediately and disconcertingly aware, a mountainous region. Almost 1,000 kilometres south-west of Lisbon, the islands (only two of which are inhabited, Madeira itself and the smaller, flatter and drier Porto Santo) are closer to Africa than to the continent of Europe. The nearest place is the Canaries, a good 400 kilometres away.

In contrast to the Canaries, which have stayed outside the ambit of the EC customs union and the common agricultural policy, it was decided to bring the less-developed Madeira islands fully inside. The island authorities were anxious to obtain the most they could from membership. The only special exceptions were lower rates for value-added-tax and tax exemption on transport connections with the Portuguese mainland.

At the time of entry, Madeira was completing the first 10 years of making its own decisions. Portugal's 1974 revolution can be said to have made less impact on the islands than oo the mainland, in terms of the degree to which it upset the economic structure, but with the new democratic constitution it did bring for the first time a significant measure of home rule.

Like the Azores, the islands were given their own elected assembly and regional government, with powers to spend their tax revenue as they wanted. The interim period has seen big changes in some basic conditions such as health and literacy standards. Ecooomic growth has been sustained by pnblic investment. The remotest settlements now have electricity and schools. The gap in per capita income and living standards between the islands and the mainland has been narrowed. But, in the words of Mr Alberto Joao Jardim, the regional President, "the level of development is another thing".

Mr Jardim, who has held the post since 1978, has done much to make Madeira's presence felt. Politically, he has achieved this hy making a nuisance of himself in Lisbon in order to obtain benefits for the islands – even when, as is curreotly the case, the natiooal government is run by his own centrist political formation, the Social Democrat Party (PSD). By so doing, he has established a formidable position. His re-election this autumn is considered a foregone conclusion.

Little change is expected in the present political balance, in which the PSD holds 40 of the 50 seats in the Madeira assembly. The socialist party took the lead in Funchal at one stage, but then lost it. Opposition leaders, who complain that the regional parliament is left with little role to play, are in a frustrating situation.

But apart from this high political profile, Madeira has more concrete plans for putting itself on the map – a long-cherished project for an industrial free zone and ambitions for a wide range of offshore services. An island that once was offered as security for a British loan (during the conflict between Portuguese constitutionalists and absolutists a century and a half ago) has now set its sights on becoming Europe's latest financial centre.

Both schemes face handicaps. The free zone, located near the old whaling village of Canical at the east end of Madeira island, has been on the drawing board for eight years, and a majority private-sector company was set up to run it over three years ago. But Madeira has no raw materials to offer, transport is expensive, and the main island currently has only a small airport, although there is a $100m-plus plan to extend it. The bigger, Nato-supported airport on Porto Santo is separated by 40 kilometres of sea.

For the offshore centre, applications have been received from several banks, headed by leading Portuguese private and state-owned institutions. But the necessary confidence and reputation cannot be created overnight, and after the recent stock market crisis this may be a difficult moment to convince international bankers of the need for a new centre.

But the argument of Mr Jardim and his team is difficult to refute. On a quite densely-populated archipelago, with oo natural resources except for the famous climate, with a terrain that allows only a third of the land to be used, what else can be done except develop services and commerce?

The islands import four-fifths of everything they consume. Their exports (principally to continental Portugal) cover 30 per cent or less of their imports. A debt of over $400m, roughly equivalent to their annual product, has been accumulated, and is still awaiting a solution between the regional and national authorities, with the former blaming the latter's predecessors for letting this situation arise.

The economy has three roughly balanced sources of earnings: tourism, exports (principally bananas, embroidery and wine, in that order), and islanders who have emigrated. There are about 1m Madeirans in other countries, especially Venezuela and South Africa, where the Madeiran population is larger than on the islands themselves. Although emigration has virtually stopped, remittances continue at a high rate, and the authorities want to do more to channel money from these overseas communities into investment.

All three elements are somewhat precarious. Remittances from abroad have managed to stay np because crises in the host countries have so far come at different times. Exports depend heavily oo individual markets. Bananas, the main source of revenue after tourism, go to the Portuguese mainland, where they are protected under the 10-year transition arrangement, but are expensive to produce and not competitive. Embroidery, a cottage industry which accounts for around 45 per cent of non-banana exports and employs as many as 30,000 women, depends these days mainly on an Italian market. Wine, a lot of which is shipped in bulk, relies on the British who treat it as a drink and the French who put it in sauces.

Tourism, predominantly dependent on a British and West German clientele, is also vulnerable, although Madeira's hotels – mostly in the four-star and five-star category – currently enjoy Portugal's highest occupancy rates. On the other hand, there is still potential for tourist development, including Porto Santo, which provides a contrast to almost-beachlesa Madeira but which still has to overcome periodic shortages of water and other essentials.

The large fishing area also lends itself to greater exploitation, requiring more freezer and repair facilities.

Local and expatriate Madeiran enterprise have ahown signs of new life in recent years. Offsetting the handicap of isolation, island employers have the advantage that wages are at the bottom of the European scale, generally rather less than the Portuguese average. Basic pay for a waiter, for Instance, is abont $330 a month.

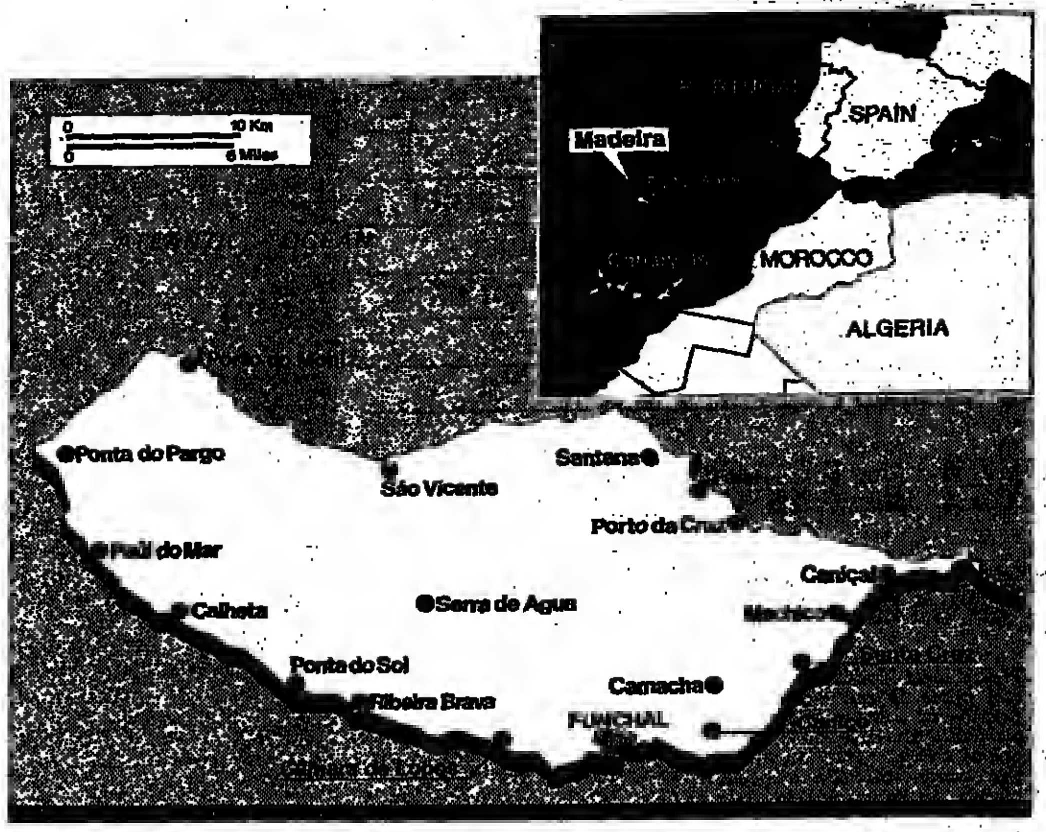
EC entry has made its impact in bringing in aid, especially for roads and energy. Portugal earmarks for Madeira and the Azores together 13 per cent of the structural funds recelved from the EC. Projects so far involve about $33m of Community backing, and the European Investment Bank has lent some $30m, according to Madeira officials. But the problem is finding local funds to match EC mooey on 50/50 projects, and the regional authorities are now pressing for a higher proportion of support from Brussels. Mr Jardim would like to see the whole regional aid system changed and tailor-made arrangements set up for each region.

"The EC is a challenge for Madeira, but Madeira is also a challenge for the EC" has become something of a catchphrase in Mr Jardim's team.

MADEIRA 2

A free trade zone and offshore centre could help diversification

Potential new sources of income test credibility



"OFFSHORE" HAS become something of a buzz word among regional government officials and representatives on Madeira. The island is in the throes of setting up an offshore financial centre and creating a free trade zone in a bid to create new sources of income.

As one official put it: "The idea is to break the vicious circles in our economy and the reliance upon tourism. We want to put the island on the map as an offshore centre."

The island government has for a long time been mindful of the fact that the heavy emphasis on tourism makes it a hostage to fortune, although there is no immediate sign of business in this sector declining. Far from it: Madeira is planning significant investments in the lucrative tourist sector.

It has, however, determined to diversify the economy, not only away from tourism but its traditional products such as wine, wickerwork and embroidery, in order to reduce the perceived vulnerability. Officials would also like to see the relatively weak manufacturing sector strengthened.

Two of the principal planks of this policy are the offshore financial project and the free zone which is being set up with full port facilities on 120 hectares of land at Canical, a village on the coast, some 8km from the island's airport and 30km from Funchal, the capital.

Doubtless, these ventures are being eyed with great interest by the many Madeirans who have prospered in South Africa and Venezuela.

The work on the projects is being managed and administered by the Madeira Development Company. Based in Funchal,the company is a private concern in which the government has a 25 per cent stake. It plans to promote the two projects in Europe, Brazil and the Far East in the coming months.

Officials both in the government and at the development company are confident that the ventures, which some see as a test of the island's credibility, will provide Madeira with new and potentially significant sources of income and improve job opportunities.

Some local businessmen, however, feel that the schemes face an uphill struggle. Offshore banking, for example, is a highly competitive area.

Work on the infrastructure at the free zone into which goods can be imported and exported duty-free is progressing well, according to officials. The first phase covers 40 hectares.

The benefits companies will receive automatically in the zone include:

- total exemption from custom duties on goods and raw materials imported into the zone;
- exemption of quantitative restrictions (qnotas) on the export of goods produced in the zone to EC countries;
- total exemption from direct taxes, namely those on profits and capital gains, for 25 years;
- no exchange controls on importation and expatriation of capital and dividends;
- goods produced in the zone, when raw materials or components originate in the EC, are free of customs duty and value-added taxes.

One of the big UK clearing banks and three US banks are also said to have expressed an interest

Mr Francisco da Costa, chairman of the Madeira Development Company, says of the free zone: "Things are going quite well and a lot of interest is being shown by companies in several countries."

He adds that negotiations with a Brazilian company which is seeking to set up a joint timber products venture with a local group are well advanced. This venture, which will export to Europe, is due to start operations this year.

Mr da Costa says that several other companies, including concerns from the UK, Finland, Portugal and West Germany, have shown strong interest in setting up operations in the zone.

The backers of the venture claim that it offers the most favourable terms in the European Community and are convinced that it will be more than a match for other such projects.

Mr da Costa denies that the island's distance from West European markets may act as deterrent to would-be participants because of transport costs.

In addition to the tax and other incentives, he points to the political stability of the island, the good telecommunications network, the fact that Madeira is part of the EC, the availability of skilled labour and, of course, the quality of life.

The zone's port will be one of the most expensive items and it is planned to develop it in three stages. The first will involve £500,000 of public and private money on a 70-metre dock with a four-metre draught.

The second stage will extend the dock to 140 metres and provide a seven-metre draught at a cost of around £800,000 and the third, which is under consideration, will further increase the draught to 10 metres.

Development company officials point out that the new port will be operated by only 10 to 12 stevedores, which helps to keep down transport costs. The port at Funchal, however, employs well over 100 stevedores.

As for offshore finance, Mr da Costa says that this venture, to which it is hoped that banks, insurance companies and investment managers will be attracted, is moving ahead as planned.

He says that six banks have confirmed their intentions to go offshore in Madeira. These include Banco Spirito Santo, one of the Portuguese state banks, Banco Comerciale Portuguese, the largest Portuguese private bank, Banc Borges e Irmao of Portugal and Banif, a private Madeiran bank which used to be a mutual savings bank.

One of the big UK clearing banks and three US banks have also expressed interest in the Madeiran project, according to Mr da Costa.

Among the incentives being offered to financial institutions are no corporation tax, capital gains tax or investment income taxes. Neither are there any exchange controls, stamp duty or value-added taxes, and in addition the island says that it is offering low initial and annual fees.

Mr da Costa again emphasises the island's political stability and says the operation will be well but not over-regulated, with strong participation by the central bank.

Madeira, however, is coming relatively late to the offshore arena. It is typical of island economies to try to diversify in this way and the Madeiran project faces strong and established competition.

The island is also launching its venture at a time when the recent stock market crash has led to more difficult conditions in international financial markets as a result of a slowdown in banking activity.

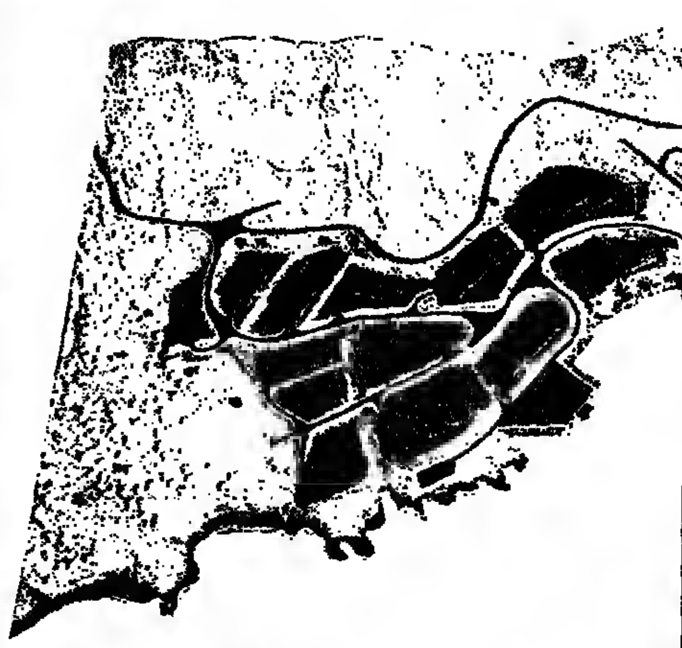
In addition, the island's remoteness may tell against it, as might the fact that Portugal's domestic banking system has only recently begun to be modernised. The latter might give rise to some reservations about the Portuguese authorities' ability to manage such a system in a highly competitive market.

But others close to the scheme point out that it provides a reasonable alternative to the centres on the Channel Islands and Gibraltar.

They admit that progress may be slow but maintain that Madeira is competitive on costs and will appeal to the Portuguese in South Africa and Venezuela.

If the Madeiran government is to break the vicious circles in its economy, then the two ventures certainly present a path, not so much to a major restructuring, but at least to important diversifications.

Bob Vincent



The free zone is being set up on 120 hectares of land at Canical, a village on the coast, some 8km from the island's airport and 30km from Funchal. Above right, Mr Francisco da Costa, chairman of the Madeira Development Company

President Jardim works hard to keep Madeira remembered

Way of getting things done

A CAGED Brazilian macaw stands guard outside the Quinta Vigia, a former royal residence set in a commanding site above the seafront of Funchal. Part of the gardens at the back have been given over to the casino, and the building itself to the President of Madeira's regional government – a position which Mr Alberto Joao Jardim appears to hold almost as the former guests held theirs, by birthright.

In the waiting-room a sign stuck on one door reads, in English: "Why argue? Just let me have my own way."

Mr Jardim, who has held the post for 10 of the 12 years it has existed, has done his best to exercise this principle and has established a reputation in Lisbon as a gadfly, exasperating even members of his own party, the centrist PSD (Social Democrat Party), at the same time as steadily reinforcing his status on the island.

"It's very difficult to be understood by Lisbon," says Mr Jardim, who at 44 is already coming to the end of his third term of office. In the elections to the regional assembly in October, nobody is taking bets against his winning a fourth term.

Political opponents complain about the degree to which the whole concept of autonomous government on the island has become identified with this one figure and say his badgering approach has provoked "distrust" in the Portuguese capital. But, as Mr Jardim continues to demand and obtain better treatment and more funds for public investment projects in Madeira, they see no way of dislodging him. The PSD in Madeira is a rare example in a western democratic system of a party which is still growing in strength after 12 years in power.

He is determined that not only Lisbon, but Brussels too, should not forget about Madeira. While he sees EC entry as positive for the support it gives to agriculture, he argues that the system of regional aid fails to take specific needs and deficiencies of outlying regions into account: for instance the need for community protection in order to develop production of sub-tropical fruit and flowers.

"It would be better for the EC to study integrated development programmes, region by region," he says, rather than applying general rules. Madeira cannot be lumped together with continental regions such as Brittany, "on the periphery, but of a rich country".

Alberto Joao Jardim: a reputation in Lisbon as a gadfly

Mr Jardim is a product of that classic nursery for the Portuguese political establishment, the law faculty of Coimbra University. But he says he was "a very bad pupil" and suggests that a more important training ground was the army, where he spent his national service attached to "psychological action".

With no background in student politics, he founded what is now the Madeira PSD "with three or four friends" immediately after Portugal's 1974 revolution. A platform was created when the Bishop of Funchal called him in to edit the daily newspaper Jornal da Madeira, which belonged and still belongs to the diocese.

In the words of a local history textbook now taught in Madeira schools, he was chosen to head "the anti-communist democratic resistance". The rival Diario de Noticias (curiously enough, English-owned and edited at the time by a priest) was regarded by Mr Jardim as being under communist control. "It was a daily fight", he says.

Mr Jardim says his party seized its opportunity in the archipelago at a time when both the left and the right were seen as opponents of regional home-rule, and established itself by getting things done while mainland politicians "talked a lot".

Without concrete results, he says, "it would have been very hard to prove that democracy and autonomy were the best system". He points to radical changes that have taken place in areas such as health care, family planning, education, and electrification. Whereas there was only one doctor in the whole of the north of the island 10 years ago, he says, there are now health centres in almost every village. Birth control has stopped the huge families which in the past offered no choice but large-scale emigration. The illiteracy rate has come down from 40 per cent to 16 or 17 per cent, and he claims Madeira is "the only place in Portugal" where all houses receive electricity.

Unlike the Azores, the unsettling period of Portuguese politics after the 1974 revolution did not produce a serious separatist movement in Madeira. "We are more independent being integrated [with Portugal] but with a large degree of autonomy," says Mr Jardim, freely admitting that this outlook makes getting on with the central government rather difficult.

The fact that the central government is run these days by the same PSD party, under Prime Minister Mr Anibal Cavaco Silva, has not put an end to the friction. Mr Jardim argues that defending Madeira's interests comes before party solidarity.

"If I have a different style from the Prime Minister," he says defiantly, "I won't change it to be agreeable to him."

He showed this style clearly in the elections two years ago for president of the Republic, when the PSD did not put forward a candidate of its own. Mr Jardim's name had figured among a short list of PSD possibles. Mr Cavaco Silva threw his weight behind the Christian Democrat candidate, Mr Diogo Freitas do Amaral. Mr Jardim broke ranks and backed the Socialist Mr Mario Soares, who won.

The party in Madeira favours more decentralisation, "not only here but on the mainland," and supports more "social" policies than those pursued by the Cavaco Silva government.

The clearest – and for the central government most embarrassing – difference, however, is in foreign policy. The regional authorities have no competence in this area, but Mr Jardim has a special interest because of Madeira's far-flung emigrant population, one of the main centres being South Africa.

This has become a sore point between the Madeira President and Lisbon. Mr Jardim says he is opposed to apartheid but also to "Marxist totalitarian governments" and accuses the Lisbon government of being too favourable towards the former Portuguese possessions of Angola and Mozambique. He does not want to see South Africa following the same path as those countries.

"We must use our Madeira community and the Portuguese community in general," he says, "to press the South African government for democratic reform and to avoid radicalism and economic disaster."

About half the estimated 600,000 Portuguese in South Africa are from Madeira. Mr Jardim clearly sees them as part of his constituency.

David White

The islands were the first to be claimed in the saga of Portuguese discovery

Rocky road to regional autonomy

"TO ACCEPT that an island in the Atlantic can participate on an equal basis is very hard in a colonial culture of 400 years."

That is how Mr Alberto Joao Jardim, president of Madeira's regional government, explains the background to his difficulties in dealing with Lisbon.

Although the archipelago was and is regarded as part of Portugal, rather than a colony or "overseas province", its history and the ups and downs of its economy have been bound up with the experience of international empire.

Not only was it in a half-way position, more than 500 sea-miles from the nation's capital and guarding the old maritime routes to Brazil, southern Africa and the Far East, but it had to compete with the later Portuguese possessions and went through the same kind of boom-and-bust cycles that they did.

Sugar, for instance, provided the first bonanza, but Madeira was soon supplanted by Portuguese and Spanish territories in the New World. The change brought the first wave of emigration from Madeira. The industry has since had its moments of resurgence but is now once more in decline.

Wine, which provided the next success story, became an English favourite during the Napoleonic wars when other sources in France and the Iberian Peninsula were cut off. But then came epidemics of oidium and phylloxera, and competition from areas like Tarragona in Spain.

At the turn of the last century Britain was a less important client than Russia, Germany or France. Today, a large part is still shipped in bulk.

The banana business also suffered competition from other Portuguese territories, recovered from the doldrums when Angola became independent in 1976, but has a rather dubious future once it loses its protected market in mainland Portugal at the end of the initial period of EC membership.

Madeira has also been involved with other empires. The development of tourism originated in the use of Funchal as a resting place for the British on their way to and from the colonies, and for that matter for Germans, since it lies half way between Hamburg and Togo.

Some historians maintain that the archipelago came very close to being a colony early last century – not of Portugal but of Britain, which twice occupied Madeira militarily.

The islands were the first territory claimed in the saga of Portuguese discoveries. In 1418-19, Joao Goncalves, known as Zarco or "cross-eyed", landed first at Porto Santo, then at Madeira. There is evidence that the islands were known about before then, but at the time of Zarco's arrival they were still uninhabited and unclaimed. Settlement began soon afterwards, 20 years before the Azores.

The thick forest that gave the main island its name – Madeira means "wood" – was burnt down to clear the land for farming. The fire is said to have lasted seven years. The first exports were timber, wax, honey – and sugar, which was introduced by 1433. Sixty years later there were 80 sugar factories.

Lisbon became a major trading centre for the commodity on the strength of Madeira production. But by the time another 60 years had passed, Brazil had already taken over.

Prince Henry the Navigator is given credit for sending from Crete the first malvasia or malmsey grapevines, the most famous Madeira variety.

Madeira wine started being exported around 1460, which makes its mention in Henry IV Part 1 a slight anachronism on Shakespeare's part. In the following century, sugar-cane made way for vineyards.

In the interim, Bartolomeu Perestrelo, a Lombard by origin, captain of Porto Santo, had the idea of populating this second largest island with rabbits. He had better luck with history when his daughter, Isabel Moniz, married a Genoese called Christopher Columbus who, some time before his transatlantic exploits, lived on the island and pored over the charts and reports of Portuguese navigators.

Geographical isolation made the townships of the two islands periodic targets for marauding pirates from the Barbary Coast, France and England.

The British troops who occupied Madeira between July 1801 and January 1802 were officially protectors rather than invaders. But they were back again in 1807, when a fleet of 24 vessels under Admiral Hood arrived on Christmas Eve, together with two infantry regiments and two artillery companies.

The Union Jack was flown everywhere, and the British forces appeared set to stay. They eventually left in October 1814.

Unlike the Azores, however, Madeira has had little prominence in the central events of Portuguese history. It made the news with a banking crisis in 1929, and again in 1931 when a revolt against the Salazar regime went on for several weeks.

At no stage until 1976 did the islanders obtain any real devolution of powers. Decentralisation measures were limited, and such administrative reforms as there were caused problems, and in some cases violence.

Only since the new constitution approved in the wake of Portugal's 1974 revolution has Madeira been in a position to assert itself, not as an independent entity (which, as Mr Jardim says, would mean becoming quite literally a banana republic) but having its own responsibilities and at least a share in the decisions that affect it.

The constitution recognises the "historic aspirations for autonomy of the island populations" in both Madeira and the Azores.

The central Lisbon government retains control over monetary and credit policy, foreign affairs, defence (in which the Nato standby airport facility on Porto Santo gives the archipelago a special role) and justice.

But the region has its own legislative powers in spheres of specific interest not covered by these headings. It can table legislation and amendments in the national parliament, it exercises its own executive power, and it spends its own revenue.

All tax raised goes into the regional budget, boosted by special support from Lisbon. The regional authorities are also entitled to take part in certain spheres of national policymaking and in negotiations on treaties and international agreements which affect the islands.

It is not mentioned in the statute, but the region can also try to exercise its own leverage on Brussels.

David White

Anglo-Madeirans

Few doubts about their national identity

ON THE ground floor of the offices adjoining the cigarette factory, family portraits line the wall: John Leacock, who first came to Madeira in 1741, William Leacock, Thomas Slapp Leacock, and the rest of the line.

The surname is one of the most visible and prominent of Funchal. The question of how many Leacocks there are today on the island makes the current Mr William Leacock stop and think.

"One," he replies eventually. His laoguorous voice and trimmed grey beard give him an air of phlegmatic Englishness carried almost to the point of caricature. The legacy of his emigrant ancestors – "I think they were in the wine trade" – is now concentrated in Leacock and Son, in which he holds 99 per cent and his Portuguese wife the remaining 1 per cent, and a holding company called Edmund Leacock.

Since selling out his tobacco interests, he is hard put to decide which is the group's central activity, but the bulk of the jobs it provides – a total of about 6,000 in the island – are in the embroidery and tapestry bosiness, which is almost entirely geared to export. He is now weighing possible moves in the financial sector, where he has "one or two irons in the fire".

Like the members of other old Anglo-Madeiran merchant families, Mr Leacock has no doubts about his national identity.

"I'm English. I have a British passport. All my family have always been English."

At home, the family speaks both Portuguese and English, but Mr Leacock has kept up with tradition by ensuring that both his daughters go to private school io the UK. "It never passed my mind not to send my children to England," he says.

At the brewery, Empresa de Cervejas da Madeira, Mr Anthony Miles, a third-generation Madeira resident, muses on the English link, which means not only holding British passports but also continuing to be treated as foreign investors. British-origin families have remained British in a way their counterparts in the sherry trade, for instance, have not.

"If we had been in Spain we would have become Spanish, and in Brazil we would have been Brazilian a long time ago."

Like Mr Leacock, Mr Miles is the only family member to have been left to look after the Madeira business. His great-grandfather, Henry Price Miles, came with his mother from Aberystwyth in 1852 at the age of two, in "rather dubious circumstances," and later joined a firm of wine shippers, Rutherford and Brown, as an office boy. When the Madeira vines were hit by phylloxera, the Rutherfords went back to London and HP Miles became the Madeira connection. There is still a "Rutherford and Miles" Madeira label.

In 1872 he branched out and created the island's first beer company, then called the Atlantic Brewery, which for many years sold pale ale, stout and porter under English names to the island population.

The company later amalgamated with a rival company and took over the brewery at Ponta Delgada in the Azores. Ownership was shared with two Portuguese families and the Leacocks. Today it is shared with the State. The Central de Cervejas group of Lisboo, which bought a 30 per cent stake, fell into the net of the nationalisatioo programme of 1975. But takeover applied only to the Portuguese shareholdings and not to the "foreign" interests. The same applied to the tobacco company, theo Leacock-controlled.

"We didn't have any strikes," says Mr Leacock of the troubled post-revolution period. By contrast, the sugar factory of William Hintoo and Sons was occupied. But the company held on, and was making sugar and alcohol until four years ago. "No way would we leave," says Mr Jimmy Welsh, the man who has inherited the Hioton family business.

William Hintoo was an Oxford student who went to Madeira for health reasons in 1838. His son, who had no children of his own, was Mr Welsh's step-grandfather. The Hintons helped re-launch a flagging sugar industry and, according to Mr Welsh, can be given credit for introducing football to the island (where it is passionately followed) and thence to Portugal. As in other Anglo-Madeiran businesses, the wine side was transferred to what is now the Madeira Wine Company.

Mr Welsh is an exception in being a Portuguese national – his card gives his first names as Henrique Jaime – but he says he is "very pro-British" and will always "try and sell British goods and so on". The company imports everything from chewing-gum to insecticide, still packs sugar, and has further development plans for warehousing, a cash-and-carry centre, and a tourism project on Porto Santo island.

The biggest of Madeira's English families are the Blandys. Their flagship is Reid's, most expensive of Funchal's luxury hotels, where the management is Swiss, rates are quoted io foreign currency only, suit and tie are *de rigueur* in the bar and restaurant in the evening, and in the winter season it is suggested that guests might prefer to wear dinner jackets.

Blandy Brothers and Company also includes amongst its activities a shipping agency, a travel agency, a ship repair yard, a light engineering plant and the daily newspaper Diario de Noticias, perhaps the most extraordinary of all the British interests on the island, especially since it remained under Blandy ownership – although subject to political pressures – throughout the fraught period following the overthrow of the Portuguese dictatorship in 1974.

"Nobody tried to take it away from us," says Mr Adam Blandy, former chairman of the family company. At the offices by the harbourfront, the portraits on the wall show 10 Blandys, starting with the somewhat obscure John Blandy of Berkshire, believed to have been a quartermaster with the British garrison during the Napoleonic Wars and to have returned with the troops as a civilian in 1811, when he set up his wine business.

There used to be a family bank, Blandy Brothers (Banqueiros) Limitada, but it was sold in the 1960s.

Mr Adam Blandy's is the sixth generation in Madeira. His cousin Mr Richard Blandy, current chairman, is also the British consul. Another cousin and an uncle make up the branches of the family on the island.

For all their pervasive presence, the English families are only a handful. Their businesses are compiemeotary. They do not tread on each other's toes.

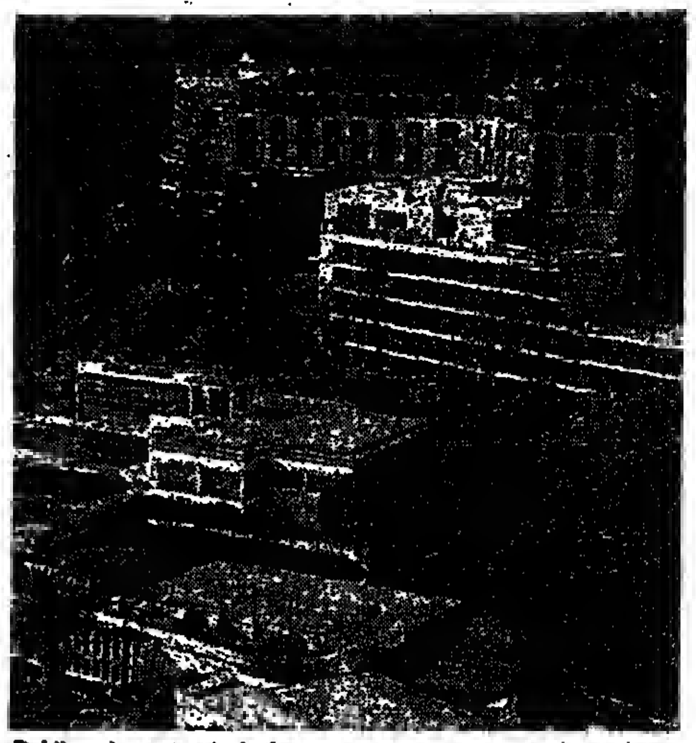
Since a William Bolton set up as a merchant in the late 17th century, profiting from a loophole io the requiremeot whereby goods bound from Europe for the American colonies had to go by British vessels from British ports, the British have played a major role in Madeira's economy, building op international commerce, in which local Madeira families had little involvement.

They developed not only wine and handicraft exports and tourism but also island businesses from beer and tobacco to electric light. The island's first piped water system was laid down by Blandys.

Once there was a British club, a country club, a reading room. But there are no longer enough British families to keep them going. The Anglo-Madeirans are not numerous enough to form a close-knit society like their counterparts in port wine. Even including retired people living in Madeira, the English contingent totals only about 200. There is an "English Chemist" in Funchal but merely in name.

What is perhaps the quaintest British connection can be found in a discreet Funchal shop selling hand-made embroideries and tapestry. It displays no sign ootside but is called Figueira and Phelps. The proprietor's wife, Mrs Greta Phelps Figueira, worked out she was the great-great-niece of one of the island's legendary figures, Miss Elizabeth Phelps. It was Miss Phelps who in about 1854 or 1856 started promoting Madeira embroidery, done in the English style and for an English market. Madeira fingers have been busy at it ever since.

David White



Reid's, where guests feel most comfortable in a dinner jacket

هكذا من الأصل

Bob Vincent drinks in the history of Madeira wine production

Upmarket move to bottles

SHAKESPEARE'S FALSTAFF was accused of selling his soul to the devil for a capon's leg and a cup of Madeira wine.

To many connoisseurs of one of Madeira's major exports no doubt Falstaff's action seems perfectly understandable, even though the wine Falstaff would have drunk long and well differs from today's product.

One expert on wines, for example, has it that tasting some of the vintage Madeira wines is "not only a pleasure but an exciting and memorable experience."

The wine that brings such adjectives tripping to the tongue has virtually as long a history as the island itself. Following the discovery of Madeira in 1418, Malvasia vines and sugar cane were introduced to the island by Infante de Henrique.

His aim was to win for Portugal the trade in sugar and sweet wines which had been the province of the Genoese and Venetians. The vines – other varieties were introduced later – fed on the rich volcanic soils on the terraced steps called *poios* and the wines produced from them built up a particularly strong reputation in England and the American colonies.

During the 18th and early 19th century ehipments to England and America, where Madeira parties had become fashionable, were heavy but in the mid to late 19th century the vines were twice badly affected by disease. The price of the wines rose sharply, hitting the key British and American markets.

According to one wine expert it was not until 1753 that a bucket of brandy distilled from surplus grapes was added to each pipe of shipping wine to give Madeira its present character.

A special process has been developed to make the wine. The grape juice or *mosto* after fermenting and being fortified is put into an *estufa* to go through a process called *estufagem*.

This process, peculiar to Madeira wine, is basically to simulate what happened to the wine in the days when it was taken at a stately pace around the tropics in sailing ships.

The heat of the tropics and the rolling of the ship matured the wine more quickly: today that process is emulated by heating the wine in a form of chamber for several months. It is then given around 18 months to recover, blended into lots, and rested again before being blended for shipment.

Roll out the barrel, but not too soon: the aim is to build up stocks of reserve wines

The Institute of Madeira Wine, which was created seven years ago, is seeking to enhance that reputation in order to maintain the wine's high standing in the country's export league.

The heat and the rolling of the ship matured the wine

The institute, a government body, assures the origin and quality of the wine. These are key elements in its drive to move upmarket and in the promotion of the more profitable reserve wines. To that end the institute has its own laboratory and a council of tasters.

Dr Constantino Palma, the institute's president, says that about 9m litres of wine are produced a year, about half of which is suitable for Madeira wines. Of this most is exported. Last year exports were estimated at 3.3m litres, against just over 3.6m litres the year before.

The largest amount – around 80 per cent – goes to European Community countries, notably England, France, West Germany and Belgium. Another 10 per cent goes into the Efta group of countries and the remainder largely to the US, Canada and Japan.

Dr Palma says that the institute would like to see imports increased but obviously production is limited by the amount of land available – around 1,600 hectares – so it has to be particularly careful to ensure that demand does not outstrip supply.

A programme which is eligible for European Community aid has been put into operation to improve the vineyards. In addition, EC cash will help to expand laboratory facilities to carry out research for the industry.

The project to improve the vineyards will be spread over about over five years. This year 40 hectares are due to be converted under the scheme.

The institute, says Dr Palma, is also co-ordinating the promotion of the wines. Before the advent of the institute little promotion was undertaken and that on an individual basis, each trader being satisfied with his own clients and markets. This has now changed.

The institute is also promoting bottled wines against bulk shipments. Dr Palma explains: "One of the aims is to increase the amount of bottled exports and to reduce the amount being sold in bulk."

He says that the institute is extending subsidised loans to the industry to encourage the houses to keep the wine in the casks longer and so improve the quality of the wine and build up stock of reserve wines. The loans are aimed at helping with cash flow while the wines are stored.

At present about 60-70 per cent of the wine is exported in bulk, with France taking a large proportion of this.

However Dr Palma points out that it will not be possible to change the nature of the French market since the industry there is heavily geared to dealing with wines delivered in bulk. The institute is therefore seeking to build up the market for bottled wine in other countries.

The UK, for example, now takes bottled wines where once it was principally a market for bulk wine. Dr Palma says that bottled wines are being promoted in West Germany and Portugal, which are viewed as lucrative markets.

He adds that the accent now is on value-added and on selling reserve wines. "Our main problem will be the competition in foreign markets and to compete successfully we will emphasise quality."

Agriculture

Carving out a living

THE HOUSES with terracotta-coloured roofs which cling to the sides of valleys in the mountainous areas of Madeira are both a testimony to the tenacity of the farmers and a striking symbol of the difficulties confronting the island's agriculturalists.

These smallholdings have fostered a solid individualism among the owners who tend the neat terraces set against a spectacular backdrop of cascading streams and rugged valleys.

But such idyllic settings, while providing memorable photographs for the tourist, create a problem for farmers and the government which has been striving to make the industry more efficient.

Farming is confined to about half the island's total surface area which, in turn, is divided virtually equally between agriculture and forestry.

Agriculture, in the strict sense, is restricted to below the 700 metre altitude. Smallholdings predominate and about 70 per cent of them are classified as being on a subsistence level.

Farming, however, plays an important part in the island's economy – it employs about 20 per cent of the active population and accounts for around 25 per cent of the gross regional product. Agriculture also makes a significant contribution both directly and indirectly to the island's exports.

The island is far from self-sufficient and imports meat, cereals, dairy products, sugar and table wines.

Agriculture experts are insistent that the performance of the farming sector must be improved. This will be no easy task, despite the generally favourable climate and good soil which allow a wide variety of crops. However, in its fight to exploit better the island's resources, the European Community has come to its aid.

Madeira is benefiting and will benefit further from EC money for major programmes, ranging from new laboratory facilities to forest projects.

Mr Francisco Vidal, Regional Director of Agriculture, listed the difficulties he and his department were up against: "There is a large rural population, the farms are very small, wages and productivity are low and there is a lack of machinery." For instance nearly 90 per cent of the island's farms comprise less than 1 hectare and at the last count about half of the farmers could not read or write.

In addition, around 40 per cent of farmers have to work elsewhere to supplement their incomes. For all that, the island's farming is diverse thanks in part to a favourable climate and good quality soil.

The banana crops, which began to gain in importance from the beginning of this century, are cultivated in the south of the island, mainly below the 200-metre level. This crop, the bulk of which is exported to mainland Portugal, is one of the most profitable in the region and a mainstay of the local economy.

Sugar cane has declined sharply in importance from the pre-eminence it achieved during Madeira's formative years. A report for the island's Chamber of Commerce and Industry said that it was difficult to see how the growing of sugar cane could be sustained, even if only to supply the brandy, rum and molasses industries which have significant potential.

Vines, cultivated by the first settlers, are grown throughout the whole agricultural area and the vineyards are being progressively improved.

The importance of commercial flowers, including arums, orchids and strelitzia, has been increasing boosted by the island's long tradition of intensive "garden" horticulture and a skilled female labour force. The growers have a ready-made market in tourists for their high-quality flowers and potential for significant expansion through trade with the EC.

The forestry sector offers much scope for improved productivity and the government is keen to see it developed for both commercial and environmental reasons.

The cultivated forests, which are largely in the hands of the private sector, are dominated by wild pine. In addition, there are eucalyptus, acacias, walnut and chesnut trees.

Willows provide the raw material for the island's wicker industry which, along with the other traditional crafts of embroidery and tapestry, is one of Madeira's principal exports.

Cattle rearing is fragmented and largely confined to farms with one or two animals – the latest figures show that there are only around 30 holdings with 10 or more head of cattle and these are traditionally reared for organic fertiliser. The dispersion of the dairy industry and the very high cost of collecting milk has meant that the government has had to subsidise the product.

Pig rearing, however, has been relatively successful while in poultry and egg production the island has in general been able to meet local demand.

Corn and wheat, however, have to be imported and cereal crops, wheat, barley, rye and maize, which have proved important to Porto Santo, are grown mainly as subsistence crops and are being progressively reduced.

It is against this varied and sometimes difficult background that the island is trying to improve its agriculture and it sees the EC as an important source of funds for its projects.

These schemes include efforts to improve marketing which is sorely needed in some sectors, improvement of the vineyards, boosting agriculture on Porto Santo and a laboratory to help advance farming methods.

To market in Funchal

Two of the biggest and most important are plans to improve the irrigation system which has been built up over the centuries, initially by private enterprise, and the road network to improve distribution and to help in the introduction of much needed machinery.

Mr Vidal says: "We have a plan to guarantee water to all and to improve irrigation generally. The whole island will benefit from this £2m scheme for which EC approval has been gained." He added that parts of the irrigation system were exceedingly old and a great deal of water was being lost.

The farmers need the water during the dry season, and over the years more than 200 water channels have been constructed extending over 1,000km.

The cost of improving existing roads and providing new ones will be around £4m, says Mr Vidal. EC money will meet part of the cost. The island also plans to improve the supply of electricity. Great strides have already been made in this direction in spite of the difficult terrain.

Mr Vidal added that they also wanted to improve training for the sector. The aim was to increase the number of students taking agricultural courses and the number of courses being offered. In addition, there were plans to spend money on forestry, including fire controls, and on preventing pollution.

Bob Vincent

Tourism

Beach-head against masses

THE WAVE of mass tourism which has swept around the world took some time to reach Madeira. And when it did arrive at the island's rocky shores the impact was far less than in many other tourist areas.

The island has retained an image which to a large degree is reflected by the genteel Edwardian calm which pervades the famous Reid's Hotel in Funchal. The hotel was built during the last century by a young Scot William Reid.

This image of Madeira, while reflecting only some of the island's qualities, does indicate how its tourist industry has developed in a way that contrasts sharply with the mass tourism of many areas of Spain and Portugal.

Tourism, which is concentrated in the sheltered south of the island, is a big money earner — the industry at the last count employed more than 5,000 people directly.

In 1986 both the number of guests and overnight stays increased to bring total receipts from tourism to nearly Es15bn, a rise of 11 per cent on the year before. The British and the West Germans topped the league table for visitors from outside Portugal. In Funchal the hotel occupancy rate is well over 70 per cent and the emphasis here is on four and five star establishments.

Madeira has developed its own particular style of tourism which has been dictated largely by geography and the island's history.

The foundations were laid some 200 years ago. In the 18th century the island was used as a stop-over for British soldiers to acclimatise to the colder climes of the UK after serving in the extreme temperatures of Africa and India.

The island's tourism went on to expand in the era of the cruise ship but the aeroplane, which transformed tourism in so many other countries, took some time to arrive. Initially it was in the shape of the flying boat since there was no airport on Madeira or the nearby island of Porto Santo.

It was not until the 1960s that the islands were opened up to normal air traffic and, even then, air travel was limited by the relatively short runway. An airport was opened on Porto Santo in 1960 and on Madeira the single runway was opened to traffic in 1964.

Above: the island's wicker industry, along with the other traditional crafts of embroidery and tapestry, provide the island's chief exports. Below: overlooking Funchal, towards the mountains

But both the arrival of and the delay in the introduction of air travel were to be key factors in the way tourism developed on Madeira. Recognising that it could not take advantage of mass tourism even if it wanted to, Madeira turned this initial limitation to its advantage and has set out to create an up-market image.

Mr Joao Borges, Madeira's regional director of Tourism, explained: "We had time to see the mistakes made by others. The Canaries, for example, were invaded."

Another factor is that Madeira has no beaches — although Porto Santo has a magnificent beach. Mr Borges pointed out that the absence of beaches meant that they would not be able to attract as many young people and young families as those destinations offering miles of sand and sea.

The eventual extension of the airport runway and the ability of larger jet aircraft to land at Madeira's airport opened the island up to the package tour operators. More than 80 per cent of holidays are now organised by tour operators. While this has added very much to the earnings potential of tourism, however, the emphasis has firmly remained on quality.

Madeira is keenly aware that it must not take development to the point where it changes its image dramatically — on the other hand it wants to see tourism evolving. Mr Borges stresses that "strict controls on development and the quality of hotels will in themselves define the quality of the clientele".

He added that there were plans for 5,000 more beds over the next three years. At present there are about 12,000 beds available on the island and of these around half are in four or five star hotels.

A major tourist development at Frente de Mar near Funchal, the island's tourist centre, has been proposed which includes projects by Meridien Hotels and two by local groups, Three Towers and Ocean. The island also plans to improve sports facilities, such as sailing and wind-surfing; golf-flat stretches of land are hard to find.

Time-sharing, giving hotels guaranteed occupancies, has also appeared on the scene. The number of such rooms available, according to the latest figures, was around 300.

Again, tourist officials are quick to underline the importance of keeping out "fly-by-night operators" and are introducing controls to ensure that holiday quality is maintained. Up until now, they say, there have been no problems.

The island of Porto Santo, which is served by ferry from Madeira, has been described as complementary to Madeira. It has a beach of 9km and is predominantly flat while Madeira is dominated by the mountains which reach as high as 1,800 metres. Porto Santo also has a much bigger airport.

Mr Borges points out that, as far as tourism is concerned, the island is almost virgin but they are "coming to grips with the potential". One government report, for example, says that hotel capacity could reach 5,000 beds, a considerable increase, without damaging the environment. First, however, the thorny problem of the shortage of water has to be overcome. The government is looking at several plans including stepping up desalination.

The flatness of the terrain means that it can easily accommodate a golf course, and there are tenders out for a casino.

Bob Vincent

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